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UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF NEW YORK

SECURITIES AND EXCHANGE COMMISSION, **Plaintiff,** **-against-** **IVARS AUZINS, A/K/A RON RAMSEY and DANIEL GAINES,** **Defendant.**	**COMPLAINT** **21 Civ. 6693 ( )** **JURY TRIAL DEMANDED**

Plaintiff Securities and Exchange Commission ("Commission"), for its Complaint against Defendant Ivars Auzins, a/k/a Ron Ramsey and Daniel Gaines ("Auzins" or "Defendant"), alleges as follows:

SUMMARY

1. This matter involves the fraudulent offer and sale of unregistered securities, including digital asset securities, by Auzins, a Latvian national.

2. Between 2018 and 2019, Auzins orchestrated numerous fraudulent schemes, including: (1) the Denaro initial coin offering ("ICO") and (2) the Innovamine cloud mining platform.

3. Among other things, for the Denaro and Innovamine fraudulent schemes, Auzins (1) used fictitious names, fraudulent addresses, and fake phone numbers to register fictitious legal entities; (2) created fraudulent online profiles for individuals—including the use of stock photographs—that were used in the marketing of each scheme; and (3) falsely claimed to have developed certain capabilities for each of the companies that were entirely fictional.

4. Auzins claimed to have collected at least $11 million in digital assets and fiat currency in connection with the Denaro scheme and collected at least $7 million in digital assets and fiat currency in connection with the Innovamine scheme based on extensive misrepresentations regarding nearly every aspect of the two securities offerings.

5. The collected assets were obtained from hundreds of retail investors, including investors in the United States.

6. In reality, these online platforms were elaborate frauds designed to trick investors into thinking that their funds would be invested in legitimate enterprises. Instead, Auzins misappropriated nearly all of the investor funds.

VIOLATIONS

7. By virtue of the foregoing conduct and as alleged further herein, Defendant has violated Sections 5(a) and (c) and 17(a) of the Securities Act of 1933 ("Securities Act") [15 U.S.C. §§ 77e(a), 77e(c), and 77q(a)], Section 10(b) of the Securities Exchange Act of 1934 ("Exchange Act") [15 U.S.C. §§ 78j(b)], and Rule 10b-5 thereunder [17 C.F.R. § 240.10b-5].

8. Unless Defendant is restrained and enjoined, he will engage in the acts, practices, transactions, and courses of business set forth in this Complaint or in acts, practices, transactions, and courses of business of similar type and object.

NATURE OF THE PROCEEDINGS AND RELIEF SOUGHT

9. The Commission brings this action pursuant to the authority conferred upon it by Securities Act Sections 20(b) and 20(d) [15 U.S.C. §§ 77t(b) and 77t(d)] and Exchange Act Section 21(d) [15 U.S.C. § 78u(d)].

10. The Commission seeks a final judgment: (a) permanently enjoining Defendant from violating the federal securities laws and rules this Complaint alleges he has violated; (b) ordering Defendant to disgorge all ill-gotten gains he received as a result of the violations alleged here and to pay prejudgment interest thereon pursuant to 15 U.S.C. 15 U.S.C. §§ 78u(d)(3), 78u(d)(7), and § 78u(d)(5); (c) ordering Defendant to pay civil money penalties pursuant to Securities Act Section 20(d) [15 U.S.C. § 77t(d)] and Exchange Act Section 21(d)(3) [15 U.S.C. § 78u(d)(3)]; (d) permanently prohibiting Defendant from serving as an officer or director of any company that has a class of securities registered under Exchange Act Section 12 [15 U.S.C. § 78l] or that is required to file reports under Exchange Act Section 15(d) [15 U.S.C. § 78o(d)], pursuant to Securities Act Section 20(e) [15 U.S.C. § 77t(e)] and Exchange Act Section 21(d)(2) [15 U.S.C. § 78u(d)(2)]; (e) permanently enjoining Defendant from participating, directly or indirectly, in any offering of a digital asset security; provided, however, that such injunction shall not prevent Defendant from purchasing or selling digital asset securities for his own personal account; and (f) ordering any other and further relief the Court may deem just and proper.

JURISDICTION AND VENUE

11. This Court has jurisdiction over this action pursuant to Securities Act Section 22(a) [15 U.S.C. § 77v(a)] and Exchange Act Section 27 [15 U.S.C. § 78aa].

12. Defendant, directly and indirectly, has made use of the means or instrumentalities of interstate commerce or of the mails in connection with the transactions, acts, practices, and courses of business alleged herein.

13. Venue lies in this District under Securities Act Section 22(a) [15 U.S.C. § 77v(a)] and Exchange Act Section 27 [15 U.S.C. § 78aa]. Defendant has transacted business in the Eastern District of New York, and certain of the acts, practices, transactions, and courses of business alleged in this Complaint occurred within this District, including offers and/or sales of securities in each of the fraudulent schemes and communications with investors and potential investors in this District.

DEFENDANT

14. **Auzins**, age 29, is a resident of Riga, Latvia. In connection with the fraudulent schemes alleged in this case, Auzins used at least the following pseudonyms: Ron Ramsey and Daniel Gaines.

OTHER RELEVANT ENTITIES

15. **Denaro** was an online company with a website located at www.denaro.io. Neither Denaro nor its securities were registered with the Commission. Ron Ramsey—a pseudonym used by Auzins—was identified as Denaro's CEO. In June 2017, Auzins—using the name Ron Ramsey—registered the parent entity of Denaro, "Cryptoshine LTD," with the U.K. Companies House. In its registration form, Auzins provided a false London business address for Cryptoshine. The Companies House ultimately dissolved Cryptoshine for failure to file required documents after its initial registration.

16. **Innovamine** was an online company with a website located at www.innovamine.io. Neither Innovamine nor its securities were registered with the Commission. The contact person for Innovamine was listed as Daniel Gaines—a pseudonym for Auzins. Innovamine claimed to be part of Innovatrade PTY LTD, an entity formed in January 2019 that purported to be a "registered company in Australia."

FACTS

I. THE DENARO INITIAL COIN OFFERING

A. Background on Digital Assets and Initial Coin Offerings

17. The term "digital asset" generally refers to an asset that is issued and/or transferred using distributed ledger or blockchain technology, including so-called "cryptocurrencies," "coins," and "tokens." Generally, after being issued, digital assets may be "listed" on online digital asset trading platforms where they can be traded for other digital assets or fiat currency such as U.S. dollars.

18. "Issuers" have offered and sold digital assets in fundraising events, called "initial coin offerings" or "ICOs," in exchange for consideration, which could be in the form of fiat currency or other digital assets.

19. ICOs are typically announced and promoted through public online channels. The documents soliciting the public to acquire digital assets in a particular offering are usually in the form of a "whitepaper," i.e., marketing materials describing the project and the terms of the ICO. To participate, investors may transfer funds to a unique digital address set up by the issuer, and the issuer may deliver digital assets to the ICO participant's unique digital address on a distributed ledger or blockchain.

20. Issuers have raised millions of dollars in fraudulent ICOs.

21. On July 25, 2017, the SEC issued "The DAO Report of Investigation," where it noted that digital assets sold in ICOs may be securities subject to the federal securities laws.[1]

B. The Fraudulent Denaro ICO

22. In early 2018, Auzins conducted an unregistered sale of digital asset securities for Denaro (the "Denaro ICO"). Auzins was ultimately responsible for all aspects of the Denaro ICO, including the creation of Denaro's website and marketing materials. Auzins also communicated with investors and potential investors concerning the Denaro ICO.

23. Auzins took numerous steps to conceal his true identity in connection with the Denaro ICO. He signed up for accounts associated with Denaro—including website registration, website security, email, and credit cards used to purchase these services—using the name of a Turkish national. Auzins obtained a copy of this individual's Turkish passport, which he then used to satisfy any "know your customer" requirements for each website. For entities that had a more stringent verification process and required additional customer information such as a utility bill, Auzins provided a fraudulent document purportedly showing the Turkish national's gas bill for a fictitious London address.[2]

24. To communicate with third party service providers and investors without giving away his location, Auzins anonymized his IP location using a virtual private network ("VPN").

25. Auzins also purchased a "virtual phone number" that allowed him to have a London-based phone number for Denaro, which was purportedly based in the United Kingdom.

26. In January 2018, Auzins began publicly promoting the Denaro ICO on social media, including Denaro's Twitter and Facebook accounts and on the messaging application Telegram.

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[1] Report of Investigation Pursuant to Section 21(a) of the Securities Exchange Act of 1934: The DAO, Exchange Act Rel. No. 81207 (July 25, 2017).

[2] Auzins followed the general process described in this paragraph and in the next two paragraphs for both of the fraudulent schemes described in this Complaint.

27. At the outset of the offering, Denaro retained Tokensuite, a digital marketing agency, to promote the Denaro ICO on bitcointalk.org ("Bitcointalk"), an online forum for digital asset enthusiasts and investors, and to recruit other individuals to promote the Denaro ICO on social media.

28. Denaro also advertised on Cryptocompare.com, a website focusing on developments in the digital asset space, and promoted the ICO in Cryptocompare's newsletter.

29. Denaro's unregistered offering began with the offer and sale of tokens during a "pre-ICO" phase from January 30, 2018 through February 6, 2018.

30. According to a January 27, 2018 post on Bitcointalk by Tokensuite, this private sale was intended for "early contributors and investors to expedite platform development and facilitate the launch of the main/public token sale." The official ICO period was from February 9 to March 16, 2018.

31. As detailed in Denaro's marketing materials, Denaro intended to use the proceeds of the ICO to "facilitate the development of the platform," and Denaro described the official ICO period on Bitcointalk as a "public crowdsale" and "fundraising" tool.

32. "DNO tokens" could be purchased by investors at a price set to the digital asset ethereum ("ETH"), with 1 ETH equal to 3,000 DNO tokens.

33. To generate investor interest in the ICO, Denaro publicly released a whitepaper describing Denaro's business (the "Denaro Whitepaper"). Auzins wrote and/or edited the Denaro Whitepaper and was ultimately responsible for the whitepaper and its content.

34. The Denaro Whitepaper was available on Denaro's website and on various internet platforms promoting either the Denaro ICO specifically or ICOs generally, including ICOBench, Coinwoot, and Neironix. Clicking links on those internet platforms would direct prospective investors to the Denaro Whitepaper on the Denaro website

35. According to the Denaro Whitepaper, Denaro was a "multi-currency debit card platform" that enabled users to store their digital assets in a secure digital wallet and then spend the digital assets "like any other debit card."

36. The DNO token was targeted primarily at speculators intending to invest in Denaro. In addition, the DNO token was offered broadly to potential purchasers rather than being targeted at expected users of the Denaro platform or those who had a need for the potential future functionality of the network. Moreover, the tokens were offered in amounts that far exceeded amounts commensurate with any consumptive use: for example, the Denaro Whitepaper indicated a maximum investment of $100,000—with a possibility to negotiate directly with the company for larger amounts—despite the fact that the stated token uses would not seem to require such large holdings.

37. The Denaro Whitepaper contained a detailed roadmap stating the company had engaged in various activities relating to the business such as attracting private investors and developing a beta wallet. Although the Denaro Whitepaper detailed certain future uses for the DNO Token, at the time of the offering the DNO token had no consumptive use.

38. The roadmap detailed the critical steps that the company would take to ensure the success of the Denaro platform following the conclusion of the offering. Funds raised in the ICO would purportedly be used by management to build and develop the Denaro ecosystem, which included (1) finalizing the debit cards; (2) finalizing a bank partnership that would allow Denaro to receive international transactions in fiat; and (3) developing Denaro applications for iOS and Android.

39. The roadmap provided that the "Finished DENARO Project" would not be completed until at least May 2018—two months after the offering—and, even then, the company

would "continu[e] to improve DENARO project," noting that "Quality-of-life improvements" would take place from "2018 June – ongoing."

40. According to the Denaro Whitepaper, Denaro would retain 21% of the total tokens from the ICO for itself and its advisors. 7% of the ICO tokens were also designated by the company to pay for future marketing, explaining that "Denaro will drum up publicity for the platform, especially in the period leading to milestone releases/roadmap feature implementation."

41. The Denaro Whitepaper also stated that "[a] portion of the network's transaction fees will be distributed among existing DNO holders when certain milestones are accomplished"—in other words, Denaro offered a dividend-type distribution to ICO investors.

42. Denaro made clear in the Denaro Whitepaper and on posts on Bitcointalk that it would support the market price for the DNO Token by limiting future supply, stating that no Denaro tokens would ever be minted after the ICO, and that all unsold tokens from the offering would be "burned."

43. Denaro's website and public posts touted the experience of the individuals purportedly behind the offering, noting that the "hand-picked Denaro team are a collective powerhouse of blockchain enthusiasts and are tenured specialists in each of their respective areas of expertise."

44. In a February 25, 2018 post on Bitcointalk, Denaro highlighted the liquidity of the token by noting that DNO token holders "could sell the token for fiat or other cryptocurrencies." The Denaro Whitepaper, responses on Bitcointalk to investors and potential investors, and emails to investors on numerous dates, including February 9, 2018, March 11, 2018, and March 16, 2018, also emphasized the availability of a secondary market in which to sell the DNO Tokens.

45. In the Denaro Whitepaper, for example, Denaro stated that the DNO token would achieve "[l]isting on popular exchanges" by the end of May 2018.

46. Denaro made clear that it would be instrumental in obtaining such listings: for example, in a February 9, 2018 post on Bitcointalk, Denaro explained that the DNO token "will be listed on as many major exchanges *as we can get it listed on*." (emphasis added).

47. On March 10, 2018, Denaro announced to investors in an email that it had confirmed its first "exchange listing" with the digital asset platform Yobit, and also noted that Denaro "will start adding new exchanges [sic] few days after ICO ends."

48. Denaro suggested to investors that the price of the DNO Token would appreciate, with posts on its Twitter feed and Facebook page including emoji symbols of rockets taking off and a chart with an upward trajectory, signifying that purchasers could expect profits.

49. On March 12, 2018—just days before the end of the public ICO period—Denaro posted its last tweet from its Twitter account.

50. At the end of the ICO period on March 16, 2018, investors had not received their DNO Tokens and the Denaro platform—including, for example, a debit card and Denaro applications for iOS and Android—had not been developed as promised.

51. Investors also found that they were unable to retrieve their original digital asset investment or withdraw the digital assets they had contributed to their Denaro wallets.

52. On or around March 19, 2018, Denaro withdrew the administrators for its Telegram and Facebook groups.

53. On or around March 23, 2018, Denaro's website was taken down and no further updates were provided to the Denaro community.

54. In connection with the Denaro scheme, Auzins made numerous misrepresentations to investors and potential investors concerning the company; the use and safety of their investments; and the team behind the offering. Auzins, as the driving individual behind the offering and the only

person associated with the company, knew or recklessly disregarded that these representations were false or misleading.

55. Auzins registered a legal entity—Cryptoshine LTD—with the U.K. Companies House to lend legitimacy to the Denaro offering, when in fact this legal entity did not represent an actual business. Moreover, the address Auzins provided for Cryptoshine belonged to an individual who had never heard of the company prior to receiving correspondence from aggrieved investors.

56. Auzins also misrepresented the development and current status of the Denaro platform at the time of the offering. All of the claimed products or services being offered were fictitious.

57. Denaro's website and marketing materials emphasized the advanced nature of its digital asset wallet, which offered "IP-address protection, two-factor SMS authentication and two-factor email authentication," thereby providing "[u]nprecedented levels of security and protection." An online video evaluating the Denaro offering for potential ICO participants specifically highlighted the wallet as the primary reason to invest, emphasizing that Denaro already had a "[r]eadied and tested product." Denaro, in fact, never developed a digital asset wallet.

58. On January 31, 2018, Denaro stated in online forums that it "already ha[d] signed contracts with a [debit] card vendor. They will provide us with MasterCard debit cards." The Denaro Whitepaper even contained an image of a "Denaro Debit Card" with the MasterCard logo. On February 25, the company claimed the Denaro Debit Cards supported worldwide ATM functionality. In fact, the debit cards were fictitious and Denaro never had any relationship with MasterCard.

59. Denaro's debit card development was important to investors when they were considering participating in the offering.

60. Auzins also misled investors regarding the team behind the ICO. Marketing materials for Denaro highlighted fictitious team members. The purported chief executive officer and co-founder was identified on the website and in the Denaro Whitepaper as "Ron Ramsey," an executive with a "proven track record" who had previously worked as the "Economic Development Director at London Computer Systems" where he was "actively following and researching blockchain technology and the cryptocurrency movement that was occurring."

61. Ramsey was not a real person. The photos of Ramsey used in Denaro's offering materials and public interviews were taken from the social media pages of a Turkish film director. London Computer Systems never employed an individual named Ron Ramsey and the company never had a title in its organization of "Economic Development Director."

62. The purported chief financial officer and other co-founder was Jeremy Boker, who purportedly completed a "Bachelor's in Business at Kentucky State University" and obtained his "Master's in IT at London Metropolitan University."

63. Boker also was not a reason person. No individual with the name "Jeremy Boker" ever attended Kentucky State University and the photo of "Boker" used in Denaro's marketing materials can be found on a stock photography site under "Elegant Male Portrait."

64. At least 25 U.S. investors participated in the Denaro offering.

65. According to its website, Denaro raised more than $11 million in Bitcoin, Ethereum, Litecoin, and U.S. dollars from thousands of investors.

66. Auzins misappropriated all of the ICO proceeds when he disappeared with the invested funds and ignored demands from investors to return their money.

II. THE INNOVAMINE CLOUD MINING SCHEME

A. Background on Digital Asset Mining

67. A blockchain, such as bitcoin, consists of a series of computer nodes run by people or organizations, known as "miners".

68. New unconfirmed transactions that are sent to the blockchain are collected together into blocks by miners.

69. Miners compete with each other to be the first to solve a complex mathematical problem, known as "proof of work' – the winner then adds their block with their collection of transactions to the existing blockchain.

70. Blocks are interconnected using a "hash" function. A hash is a mathematical "summary" of a set of data – changing any part of that data results in a significant change to the hash value, which makes it a very effective way of detecting changes in any set of data. By including the hash of the previous block in the next block it becomes extremely hard to make changes to the stored data.

71. Calculating these hashes can be made arbitrarily hard by requiring that the hash created starts with a particular character sequence. Solving this problem for a large valuable network like bitcoin requires huge computing resources, and significant technical knowledge.

72. Miners often combine their computing power into a so-called "mining pool" which increases the probability of winning the right to mine the next block, but reduces that payout per miner.

73. Within a mining pool, individual miners receive a percentage of each win according to the relative amount of computer power they provide.

74. Traditionally miners owned and ran their own hardware, but now it is possible to rent the use of the hardware from third parties, who provide "proof of work" mining as a "cloud service" where the user pays to use the hardware or service.

75. Cloud mining can dramatically reduce the cost and complexity of becoming a miner, but the rewards are lower because they are split among the cloud miners.

76. The mining hardware is located in a datacenter, which may be in a different location from the person or organization operating the hardware.

77. In certain mining operations, investors can purchase participation interests or shares in the mining operation.

B. The Innovamine Offering

78. In April 2019, Auzins published a website—innovamine.io—that purported to offer a cloud mining and digital asset trading platform. The administrative contact for Innovamine listed on its website was listed as Daniel Gaines, CEO of the related entity Innovatrade PTY LTD, who claimed to be based in Sydney, Australia.

79. Daniel Gaines, in fact, was a pseudonym for Auzins, who was ultimately responsible for all aspects of the Innovamine scheme, including creation of the company's website and marketing materials, as well as communicating with investors.

80. Auzins publicly promoted Innovamine on social media platforms such as Facebook and Twitter and on websites touting new digital asset offerings.

81. In an April 2019 press release, Innovamine described itself as a "state-of-the-art cloud mining service" that allowed users to "purchase all the hash power they would need to mine cryptocurrency."

82. Innovamine initially purported to offer cloud mining for three cryptocurrencies—bitcoin, ethereum, and litecoin—but in mid-July 2019 claimed on its Twitter feed to have added mining for Bitcoin Cash, ZCash, and DASH to its options.

83. Innovamine investors signed up for a two-year contract that purportedly included mining of the digital asset of their choice and claimed to provide on a daily basis an "automatic payout . . . in whichever coin they mine"; so-called "maintenance fees" were included as part of the agreement.

84. The company claimed in a press release on April 9, 2019 to "have algorithms in place to ensure that miners are allocated the fastest, most efficient [mining] pools."

85. Innovamine also purported to offer trading in the same digital assets available for mining.

86. Innovamine promised investors in the April 9, 2019 press release that it would provide the equipment and personnel necessary to perform the mining; as a result, users could "do all this [mining] without the hassle of intricate software installation or buying expensive hardware" and then passively receive the returns generated by the company's mining operation.

87. Innovamine highlighted its state-of-the-art mining facilities on the website and in a marketing video, and emphasized the experience of its employees to potential investors. Innovamine claimed on its website, for example, that its "team members are mining experts from a vast array of scientific backgrounds."

88. On Twitter and in communications with investors in July 2019, Innovamine claimed that it had been "recognized as number one in the mining industry" and that it was "the top performing mining company in the globe" and "the top mining company across the world."

89. In the April 9, 2019 press release, Innovamine guaranteed profits for its mining investors. As the company explained, all revenues from trading commissions were to be

"channel[ed] . . . to the users [sic] mining profits . . . . And here is why, the goal is to make you earn one way or another." This approach thereby allowed Innovamine to "keep . . . the wheel of success spinning for our users" and ensure that its investors "experience profit irregardless [sic] of the mining result."

90. A marketing email on July 11, 2019 from Innovamine similarly claimed that the "InnovaMine platform is wired to help users get more for their investments. . . . We are all about helping you get more for your money. Take action now and seize this opportunity!"

91. The Innovamine website also contained a "Profit Calculator" that showed—depending on the digital asset being mined—the user's hashrate, as well as the expected daily, monthly, yearly, and 2-year profit in their account.

92. Early investors were initially able to withdraw funds from their accounts – purportedly representing mining profits – and verification of these withdrawals were publicly posted on Telegram and Bitcointalk.

93. In early July 2019, Innovamine announced the launch of the "Innovamine Mastercard" debit card that would purportedly allow digital asset withdrawals at ATMs around the world.

94. A July 12, 2019, email to investors from Innovamine also promised a digital asset "exchange platform" for its investors.

95. On July 15, 2019, Auzins abandoned the Innovamine website and various social media accounts associated with the scheme, stopped responding to investor messages, and deleted the Telegram chat group where investors and potential investors had communicated with the company.

96. Investors who had contributed to Innovamine were subsequently unable to withdraw any funds.

97. The representations made by Auzins concerning Innovamine were entirely false. As the driving individual behind the offering and the only person associated with the company, Auzins, knew or recklessly disregarded that the representations were false or misleading because there were no actual mining operations.

98. Auzins registered a fictitious legal entity—Innovatrade PTY LTD—with the Australian Securities and Investments Commission ("ASIC"), when in fact this legal entity did not represent an actual business.

99. In the April 9, 2021 press release, Innovamine specifically touted this regulatory registration in an effort to reassure investors, stating that: "You should not be worried about Innovamine's credibility, as the company is regulated by [ASIC]."

100. All of the claimed mining services being offered through Innovamine were fictitious. There was no "team of mining experts" with a "vast array of scientific backgrounds" responsible for overseeing the company's mining operations; it was only Auzins. Indeed, when an investor emailed Innovamine on June 28, 2019 and asked to visit Innovamine's facilities in Australia—where the company claimed to be located on its website—so that he could verify for himself the mining arrangement, Innovamine responded the following day that "[o]ur mining facilities are in Ukraine" and the investor was unable to visit the purported mining operation.

101. Innovamine was never "recognized as number one in the mining industry" by any person or entity nor was it the "top performing mining company in the globe"—again, because the company in fact had no actual mining operations.

102. A report by the Australian Competition & Consumer Commission—an entity that collects information regarding purported scams based in that country—stated that losses reported by Innovamine victims totaled more than $7 million.

103. At least six investors based in the United States invested in Innovamine, with losses totaling more than $50,000.

IV. AUZINS' NUMEROUS ADDITIONAL FRAUDULENT SCHEMES[3]

104. To date the Commission has identified numerous other fraudulent schemes perpetrated by Auzins.

105. Similar to the Denaro ICO scheme, starting in December 2017, Auzins fraudulently promoted an unregistered coin offering for Bitroad Limited, a U.K. entity registered with the U.K. Companies House.

106. Like the Denaro ICO, Auzins publicly promoted the Bitroad ICO through social media posts as well as on a public chat group on the Telegram application. Bitroad also released a whitepaper available on Bitroad's website and through various internet platforms promoting the Bitroad ICO, including Bitcointalk.

107. Auzins' false statements in connection with Bitroad included that Bitroad had different types of wallets (desktop, web-based, and mobile) to store user's digital assets as well as a debit card that could be used "anytime all over the world." In fact, Bitroad wallets and debit card did not exist. Auzins also falsely named Bitroad's core team members who would be responsible for developing the project including CEO Noel Mills, a finance manager, marketing experts, and technical developers. There was no person named Noel Mills associated with Bitroad. Bitroad had no finance manager, marketing experts, or technical developers. The only person associated with Bitroad was Auzins.

[3] While the Commission does not presently assert independent claims against Auzins based on the additional fraudulent schemes described in this section of the Complaint, these schemes are both relevant to demonstrate Auzins' scienter in the charged frauds as well as to the ultimate determination of the appropriate relief should Auzins be found liable.

108. On December 28, 2017, Bitroad posted its last message on Bitcointalk, one of the primary avenues that Bitroad had used to communicate with the public. The following day, Bitroad posted the last tweet from its Twitter account.

109. According its public statements on Bitcointalk, Bitroad raised more than $3 million in bitcoin and ethereum from investors.

110. On April 12, 2018, the Companies House dissolved Bitroad for "non-compliance for failing to file statutory documents."

111. Separately, on January 17, 2019, Auzins published a website—gemneon.io—that claimed to be a digital asset investment and trading platform.

112. "Michael Schultz"—a pseudonym for Auzins—was identified on the website as the CEO of Gemneon.

113. Auzins was ultimately responsible for all aspects of the Gemneon scheme, including creation of the website and marketing materials and communicating with investors.

114. According to its website and a whitepaper posted on the site (the "Gemneon Whitepaper"), Gemneon offered a digital asset-related investment program that "help[s] people . . . make profitable investments in the cryptocurrency market." Although the company provided few details regarding the program, the general concept was that investors contributed digital assets to Gemneon and the company made digital asset-related trades on their behalf.

115. Gemneon offered three different investment plans that promised specified daily returns depending on the amount of money invested. According to the Gemneon website, an investor's principal could be withdrawn after 50 days.

116. Gemneon promised profits to investors in its program. In addition to daily returns guaranteed by each investment plan, the company explained on its website that "[o]nce the platform comes online, all investors will be able to trade their money through our platform, not to mention

start making a handsome profit." The Gemneon Whitepaper and website claimed that "[i]nvestors make money off the price fluctuation that crypto currencies are so famous for having." The website and Whitepaper also noted that "the more money you invest the more you can expect to make."

117. In February 2019—prior to the specified withdrawal date that would have allowed investors to take out their principal—Auzins abandoned the Gemneon website, stopped responding to investor messages, and deleted the Telegram chat group where investors and potential investors had been communicating with the company.

118. Auzins made numerous misrepresentations in connection with the Gemneon scheme. Auzins, who directed all activities relating to Gemneon, knew these representations were false or misleading, including (1) registering a fictitious legal entity—Gem Investments Limited—with the Hong Kong Companies Registry and touting its Hong Kong registration to reassure investors; and (2) falsely claiming to have a "large team of seasoned traders and investors[, which] almost guarantees that the investment will turn a profit as we put that money through multiple crypto trades." Gemneon did not have any trading program, and there was no "team" of traders responsible for overseeing the company's trading operations. Auzins was the sole individual behind Gemneon.

119. The total amount received in the Gemneon scheme is unknown.

120. When Auzins abandoned the Gemneon website in February 2019, investors who had contributed digital assets to Gemneon for trading and investment were no longer able to access their accounts and were unable to withdraw any funds.

121. Auzins misappropriated the Gemneon funds when he disappeared with nearly all of the digital assets that had been sent to his wallets in connection with the offering.

122. Auzins also published four additional webpages purporting to offer a digital asset investment platform similar to Gemneon: (1) bankroi.io ("BankRoi"); (2) impressio.io

("Impressio"); (3) changepro.io ("ChangePro"); and (4) lycovest.io ("Lycovest") (collectively, the "Investment Plan Websites"). The Investment Plan Websites were generally promoted on social media platforms as well as Bitcointalk and other websites.

123. The Investment Plan Websites offered the same basic investment scheme as Gemneon. Investors were encouraged to transfer digital assets to private wallets maintained by the offering entity. The Investment Plan Websites claimed that these digital assets would be invested using proprietary trading methods and that users would receive a guaranteed, exorbitant rate of return based on the extraordinary profits earned by the experienced team behind each offering.

124. Portions of each website were frequently recycled in later schemes: the BankRoi site copied extensively from Impressio, for example, while the ChangePro, Gemneon, and Lycovest webpages contained numerous similarities.

125. All of the Investment Plan Websites claimed that investors' principal could be withdrawn after a specified period. At a certain point prior to that specified date, however, Auzins abandoned the website and the various social media accounts associated with each scheme, stopped responding to investor messages, and deleted the Telegram chat groups where investors and potential investors had been communicating with the company. Investors who had contributed to these websites were subsequently unable to withdraw any funds.[4]

[4] In addition to the schemes discussed above, Auzins also created the following 24 investment schemes and websites, many of which have also been publicly alleged to be frauds: bitwest.biz (Bit West Limited); bitfine.biz (Bitfine Limited); coinstreamlimited.com and fundstream.biz (Coinstream Ltd); forksmine.biz (Forks Mining Ltd.); bitgrow.biz (Bitgrow Investments Limited); bithonest.ltd (Bithonest Ltd.); bitone.io (Bitone Financial LP); bithorn.io (Bithorn Limited); ultraminers.biz (Ultrafarm Ltd.); 15bit.biz (Bitcoin Miners 15 LTD); cryptoinfinity.net (CryptoInfinity Limited); bitstorm.biz (Bitstorm Limited); theminers.biz (Miners Team Limited); prefex.net (PREFEX Investments Online Limited); 8dailycoin.com (Daily Coins INV Ltd.); cryptonium.biz (Cryptonium Limited); bitexcon.com (Bitex Limited); bitmach.net (Bitmach Limited); 10bit.biz (TEN Bitcoins Limited); coinscrypt.net (CoinsCrypt LTD); skyminerz.biz (Sky Mine LTD); bitday.biz (Bitday Limited); cryptoshare.biz (Cryptocom.Limited); and mbitco.com (Mbitco Limited).

V. THE DIGITAL ASSETS WERE OFFERED AND SOLD AS SECURITIES

126. The digital assets offered and sold by Auzins in the Denaro and Innovamine schemes (as well as in the other six schemes described in Section IV above) were offered and sold to potential investors as an investment of money in a common enterprise with a reasonable expectation of profits to be generated from the efforts of the issuers and, as such, were "investment contracts" and, therefore, "securities" within the meaning of Section 2(a)(1) of the Securities Act [15 U.S.C. § 77b(a)(1)] and Section 3(a)(10) of the Exchange Act [15 U.S.C. § 78c(a)(10)].

127. With respect to Denaro, the company's statements made clear that the DNO tokens were investments from which investors could reasonably expect future profits: (1) the Denaro white paper, emails to investors, and other public statements specifically referred to the ICO participants as "investors"; (2) in public forum posts, Denaro emphasized that DNO token holders "could sell the token for fiat or other cryptocurrencies"; (3) the Denaro Whitepaper, emails, and public posts highlighted the availability of a secondary market for DNO tokens; and (4) Denaro's social media posts suggested that DNO tokens' price would appreciate.

128. With respect to Denaro, the company's statements made clear that this was a common enterprise.

129. As explained in the Denaro Whitepaper, all proceeds from the offering were intended to be collected and held by the company; the dividend-type payment would distribute its network transaction fees among existing token DNO token holders; and the fortunes of the investors would rise and fall together based on the value of token they were purchasing. As such, there was horizontal commonality between the DNO token holders.

130. Denaro's retention of more than a quarter of the total tokens from the ICO for itself and its advisors meant that the company's fortunes would rise and fall with those of the investors. As such, there was vertical commonality between the company and the investors.

131. Investors reasonably expected to profit from appreciation in the DNO token, both from appreciation in the value of the token and through the dividend-type distributions promised by the company.

132. Moreover, the profits were expected to be generated through the efforts of Denaro. DNO tokens were sold before people could conduct transactions with DNO tokens (requiring reliance on the founders' managerial efforts) and funds raised would purportedly be used by Denaro management to build and develop ecosystem for DNO tokens, which included: (1) finalizing debit cards; (2) finalizing a bank partnership enabling Denaro to receive international transactions in fiat; and (3) developing Denaro apps for the iOS and Android operating systems.

133. With respect to Innovamine, investors reasonably believed that they would make money from participating in the mining pool and Innovamine promised its mining investors profits on the funds they invested "regardless of the mining result."

134. Likewise, statements from the company also made clear that the expected profits would be generated through the efforts of Innovamine management. Innovamine emphasized to investors how easy and effortless Innovamine and its experienced team made mining for digital assets. Once purchasers invested in their desired digital asset pool, investors engaged in no further actions. Instead, all purported mining would occur as a result of Innovamine's efforts. Innovamine was entirely responsible for the equipment purchase, operation, and maintenance of the purported mining operation. Innovamine controlled the payout to investors. Indeed, Innovamine's representations that it was a "top performing" manager with regard to the above undertakings are the reason why an investor would choose to invest in Innovamine's mining contracts rather than invest in their own mining equipment and operation.

135. Innovamine was a common enterprise.

136. Digital assets contributed by Innovamine investors were purportedly pooled together and used by Innovamine to purchase mining hardware, thereby creating economies of scale that would allow Innovamine to achieve greater hashing power in the collective mining operation than had the investors had tried to mine individually. Mining returns generated by these pools would purportedly be shared by Innovamine with investors on a pro-rata basis. The fortunes of the Innovamine investors were, thus, directly correlated, demonstrating horizontal commonality.

FIRST CLAIM FOR RELIEF

Violations of Securities Act Section 17(a)

137. The Commission realleges and incorporates by reference here the allegations in paragraphs 1 through 136.

138. Defendant, directly or indirectly, singly or in concert, in the offer or sale of securities and by the use of the means or instruments of transportation or communication in interstate commerce or the mails, (1) knowingly or recklessly employed one or more devices, schemes or artifices to defraud, (2) knowingly, recklessly, or negligently obtained money or property by means of one or more untrue statements of a material fact or omissions of a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading, and/or (3) knowingly, recklessly, or negligently engaged in one or more transactions, practices, or courses of business which operated or would operate as a fraud or deceit upon the purchaser.

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

SECOND CLAIM FOR RELIEF

Violations of Exchange Act Section 10(b) and Rule 10b-5 Thereunder

140. The Commission realleges and incorporates by reference here the allegations in paragraphs 1 through 136.

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

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

THIRD CLAIM FOR RELIEF

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

143. The Commission realleges and incorporates by reference here the allegations in paragraphs 1 through 136.

144. Defendant directly or indirectly, singly or in concert, (i) made use of means or instruments of transportation or communication in interstate commerce or of the mails to sell, through the use or medium of a prospectus or otherwise, securities as to which no registration statement was in effect; (ii) for the purpose of sale or for delivery after sale, carried or caused to be carried through the mails or in interstate commerce, by any means or instruments of transportation,

securities as to which no registration statement was in effect; or (iii) made use of means or instruments of transportation or communication in interstate commerce or of the mails to offer to sell or offer to buy, through the use or medium of a prospectus or otherwise, securities as to which no registration statement had been filed.

145. By reason of the foregoing, Defendant violated and, unless enjoined, will again violate, Securities Act Sections 5(a) and 5(c) [15 U.S.C. §§ 77e(a) and 77e(c)].

PRAYER FOR RELIEF

WHEREFORE, the Commission respectfully requests that the Court enter a Final Judgment:

I.

Permanently enjoining Auzins and his agents, servants, employees, and attorneys and all persons in active concert or participation with any of them from violating, directly or indirectly, Securities Act Sections 5(a) and (c) and 17(a) [15 U.S.C. §§ 77e(a), 77e(c), and 77q(a)] and Exchange Act Section 10(b) [15 U.S.C. § 78j(b)] and Rule 10b-5 thereunder [17 C.F.R. § 240.10b-5].

II.

Ordering Defendants to disgorge with prejudgment interest all ill-gotten gains from the conduct alleged in this Complaint pursuant to Section 21(d)(3), (5), and (7) of the Exchange Act [15 U.S.C. §§ 78u(d)(3), 78u(d)(5), and 78u(d)(7)];

III.

Ordering Auzins to pay civil monetary penalties under Securities Act Section 20(d) [15 U.S.C. § 77t(d)] and Exchange Act Section 21(d)(3) [15 U.S.C. § 78u(d)(3)];

IV.

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

V.

Permanently enjoining Auzins from participating, directly or indirectly, in any offering of a digital asset security; provided, however, that such injunction shall not prevent Auzins from purchasing or selling digital asset securities for his own personal accounts; and

VI.

Granting any other and further relief this Court may deem just and proper.

Dated: New York, New York
December 2, 2021

/s/ Richard R. Best

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