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

8 U.S. SECURITIES AND EXCHANGE
   COMMISSION,
9
          Plaintiff,
10
    v.   **Case No.** _____
11
   CROWD MACHINE, INC., METAVINE, INC, and   **COMPLAINT**
12 CRAIG DEREL SPROULE,

13   Defendants,

14 and

15 METAVINE PTY. LTD.,

16   Relief Defendant.

17

18

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

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

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

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

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

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

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

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

stocks, bonds, and "investment contracts." Like the offer and sale of CMCTs, investment

contracts are transactions involving the investment of money in a common enterprise with a

reasonable expectation of profits to be derived from the entrepreneurial or managerial efforts of

others. Numerous courts have found specifically that offers and sales of digital assets like

CMCTs are investment contracts, and therefore that such digital assets are "securities" under the

federal securities laws.

9. Defendants never filed with the SEC a registration statement for their offer and

sale of CMCTs, and this offer and sale did not qualify for an exemption from the registration

requirements of the federal securities laws.

VIOLATIONS

10. By virtue of the foregoing conduct and as alleged further herein, Defendants have

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].

11. Unless Defendants are restrained and enjoined, they 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

12. The SEC brings this action pursuant to the authority conferred by Section 20 of

the Securities Act [15 U.S.C. § 77t(b)] and Sections 21(d)(1) and (d)(5) of the Exchange Act [15

U.S.C. §§ 78u(d)(1) and (d)(5)].

13. The SEC seeks final judgments:

(a) permanently enjoining Defendants from violating the federal securities laws

and rules they are alleged by this Complaint to have violated;

(b) permanently enjoining Defendants from participating, directly or indirectly,

including, but not limited to, through any entity controlled by them, in any offering of

securities, including any digital asset security;

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

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

(e) permanently prohibiting Sproule 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)];

(f) requiring Defendants Crowd Machine, Inc. and Metavine, Inc.to undertake to (i) permanently disable all Crowd Machine Compute Tokens ("CMCTs") in their possession or control within 10 days of the entry of the judgment, including any CMCTs owned by, beneficially owned by, or held in the name of Sproule; (ii) publish notice of the judgments on their websites and social media channels, in a form not unacceptable to Commission staff, within 10 days of the entry of the judgment; and (iii) 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, in a form not unacceptable to Commission staff, within 10 days of the entry of the judgment; and

(g) requiring Sproule to undertake to cooperate with, and not object to, efforts by Crowd Machine, Inc. and Metavine, Inc. to disable any CMCTs owned by, beneficially owned by, or held in Sproule's name.

JURISDICTION AND VENUE

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

15.   Defendants, directly and indirectly, have 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.

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

DEFENDANTS

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

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

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

RELIEF DEFENDANT

20.   **Metavine Pty. Ltd.** is an Australian proprietary limited company based in Queensland, Australia, and is owned entirely by Metavine, Inc. Metavine Pty. Ltd. has been

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