

IN THE UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF GEORGIA
ATLANTA DIVISION

SECURITIES AND EXCHANGE COMMISSION,

Plaintiff,

v.

**FLIK,
COINSPARK,
RYAN S. FELTON,
WILLIAM Q. SPARKS, JR.,
OWEN B. SMITH, and
CHANCE B. WHITE,**

Defendants,

And

**HYPERION HOLDINGS LLC,
STEPHANIE L. BROWN,
DALE W. FELTON, and
JENNIFER FELTON,**

Relief Defendants.

Case No.

JURY TRIAL DEMANDED

COMPLAINT

Plaintiff Securities and Exchange Commission (the “Commission”), for its
Complaint against Defendants FLiK, CoinSpark, Ryan S. Felton (“Felton”),
William Q. Sparks (“Sparks”), Owen B. Smith (“Smith”), Chance B. White

(“White”) (collectively, “Defendants”), and Relief Defendants Hyperion Holdings, LLC (“Hyperion Holdings”), Stephanie L. Brown (“Brown”), Dale W. Felton (“Dale Felton”), and Jennifer Felton (collectively, “Relief Defendants”), alleges as follows:

SUMMARY

1. Between August 2017 and June 2018, Defendants FLiK, CoinSpark and Felton engaged in fraudulent and unregistered offerings of digital asset securities, collectively reaping over \$3 million in illegal profits from investors. Shortly after each entity’s offering concluded, Felton misappropriated the funds raised in that offering and then moved on to his next venture. Despite promising to use the funds raised from investors to build the FLiK and CoinSpark online platforms, Felton instead used the funds to buy a Ferrari, a million-dollar home, diamond jewelry, and other luxury items for himself. None of the proceeds were used for any of the purposes described in the offering materials.

2. From approximately August 20, 2017 to September 20, 2017, Felton and FLiK, a purported video streaming platform promoted by Felton as “Netflix on the blockchain,” conducted a so-called “Initial Coin Offering” (“ICO”), through which they raised approximately 539 ether (“ETH”), a digital asset worth approximately \$164,665 as of September 20, 2017, in exchange for FLiK “tokens,”

which were digital assets offered as investment contracts, and therefore securities (the “FLiK ICO”). Defendant Sparks worked with Felton on the FLiK ICO and, with Felton and others, directly or indirectly offered and sold FLiK tokens through the FLiK ICO.

3. On August 17, 2017, prior to the start of the FLiK ICO, Felton transferred 60 million FLiK tokens to an ethereum blockchain address that he controlled. Over the next two months, Felton fraudulently promoted FLiK, including by publishing materially false and misleading statements on various social media platforms and on the FLiK website. During this same time period, Felton offered and sold FLiK tokens to investors located all over the world and in the United States through his account at a digital asset trading platform. (These offers and sales, as well as offers and sales during the FLiK ICO and Felton’s subsequent offers and sales of FLiK tokens through June 2018, are referred to herein collectively as the “FLiK Offering.”) Felton made these sales anonymously and transferred the proceeds to financial accounts in his own name or under his control. Felton also diverted the proceeds of the FLiK ICO to his own personal accounts.

4. In addition to using the proceeds to purchase a house, cars, jewelry, and high-end home furnishings. Felton also transferred portions of the proceeds to

the Relief Defendants, Jennifer Felton (his wife), Brown (his sister), and Dale Felton (his father).

5. In October 2017, Felton began working with White and Smith on a second offering, this time for a purported digital asset exchange called “CoinSpark.”

6. From February 14 through March 14, 2018, Felton and CoinSpark raised approximately 460 ETH (worth approximately \$282,418 as of March 14, 2018) in an unregistered offering of digital assets called “SPARK tokens” (“CoinSpark ICO” or “CoinSpark Offering”), which were offered and sold as investment contracts, and therefore securities. Defendants White and Smith worked on the CoinSpark ICO and, with Felton and others, directly or indirectly offered and sold SPARK tokens in the CoinSpark ICO.

7. White and Smith promoted the SPARK ICO under false names, without disclosing that Felton had promised them full-time employment in connection with CoinSpark, if CoinSpark raised sufficient funds.

8. On March 20, 2018, Felton transferred the ETH raised in the CoinSpark ICO to an ethereum blockchain address that he controlled. Felton subsequently transferred the ETH to other blockchain addresses he controlled, and converted the ETH to other digital assets and U.S. dollars, before transferring the

funds to financial accounts in his own name or under his control, including accounts of Relief Defendants Jennifer Felton and Hyperion Holdings. Felton also transferred all unsold SPARK tokens to a blockchain address under his control his own personal account, for his personal use.

9. In early April 2018, Felton engaged in manipulative matched trades intended to create the false appearance of trading activity in SPARK tokens in order to artificially increase the trading price of SPARK tokens and to induce others to purchase SPARK tokens.

10. In offering and selling FLiK and SPARK tokens, Felton, FLiK, and CoinSpark knowingly, recklessly, or negligently made and disseminated numerous materially false and misleading statements and engaged in other deceptive acts, including manipulative trading by Felton.

11. The FLiK and CoinSpark Offerings were illegal offerings of securities for which no registration statements were filed or in effect, and as to which no exemption from registration was available.

VIOLATIONS

12. By virtue of the foregoing conduct and as alleged further herein,
- a. Defendants Felton, FLiK, and CoinSpark violated Section 5(a) and 5(c) of the Securities Act, and Section 17(a) of the Securities Act of

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