

SEC Charges Issuer and CEO with Violating Whistleblower Protection Laws to Silence Investor Complaints

FOR IMMEDIATE RELEASE
2019-227

Washington D.C., Nov. 4, 2019 — The Securities and Exchange Commission today filed an amended complaint against online auction portal Collectors Café and its CEO Mykalai Kontilai to add allegations that they unlawfully sought to prohibit their investors from reporting misconduct to the SEC and other governmental agencies. The SEC previously charged Collectors Café and Kontilai with a fraudulent \$23 million securities offering based on false statements to investors, and alleged that Kontilai misappropriated over \$6 million of investor proceeds.

The SEC's amended complaint alleges that Collectors Café and Kontilai attempted to resolve investor allegations of wrongdoing by conditioning the return of investor money on the investors signing agreements prohibiting them from reporting potential securities law violations to law enforcement, including the SEC. According to the complaint, these agreements violate the SEC's whistleblower protection rules. The complaint alleges the defendants went so far as to sue two investors that they believed breached one of the illegal agreements. Following the filing of the SEC's action in May 2019, the defendants allegedly have continued to misrepresent to investors material facts about Collectors Café's business and the reasons why Kontilai took money from the company for personal expenses, including continuing to tell investors that he loaned Collectors Café millions of dollars in the late 2000s when, in reality, he never lent the company the amounts that he claims.

"We allege that the defendants attempted to cover up their fraud by holding investors' money hostage until the investors signed agreements preventing them from seeking law enforcement intervention," said Kurt L. Gottschall, Director of the SEC's Denver Regional Office.

"Through the amended complaint, the Commission seeks to hold the defendants accountable for their fraudulent stock offerings as well as the separate claims for violations of the Commission's whistleblower protection laws."

"The SEC's whistleblower protections broadly protect not just employees, but anyone who seeks to report potential securities law violations to the Commission," Jane Norberg, Chief of the SEC's Office of the Whistleblower added.

The SEC's amended complaint charges Collectors Café and Kontilai with violations of the antifraud and whistleblower provisions of the federal securities laws, seeking preliminary and permanent injunctions, disgorgement plus prejudgment interest, and penalties. The amended complaint also adds Veronica Kontilai, Kontilai's wife, as a relief defendant, and seeks disgorgement plus prejudgment interest.

The SEC's investigation was conducted by Jacqueline M. Moessner and supervised by Mary S. Brady of the Denver Regional Office. The SEC's litigation is being led by Mark L. Williams and Terry R. Miller, and supervised by Gregory Kasper.

###