

SEC Freezes Assets of Online Auction Portal and Its CEO Associated with \$23 Million Offering Fraud

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Securities and Exchange Commission v. Collector's Coffee (d/b/a Collectors Café), and Mykalai Kontilai, No. 19-Civ-04355 (S.D.N.Y. filed May 14, 2019)

The Securities and Exchange Commission yesterday filed fraud charges against Collectors Café, an online auction portal, and its chief executive officer, Mykalai Kontilai, for misappropriating over \$6 million of investor funds in a \$23 million offering fraud. The SEC obtained an emergency asset freeze and other relief.

According to the SEC's complaint filed in U.S. District Court for the Southern District of New York, Collectors Café and Kontilai, a New York resident, operated a fraudulent scheme that raised more than \$23 million from at least 140 investors since April 2014. To entice investors, Collectors Café and Kontilai allegedly falsely stated that Collectors Café had hundreds of dealers signed up to sell billions of dollars of inventory. Additionally, Kontilai allegedly misrepresented the extent of Collectors Café's purported interest in two contracts signed by Jackie Robinson, the first African American to play for a major league sports team, by falsely claiming the company owned a \$36 million asset with the Jackie Robinson contracts, when Collectors Café owned only a fraction of such asset. The SEC also alleges that Kontilai misappropriated at least \$6.1 million of the \$23 million raised in investor funds by funneling millions of dollars through his personal bank account, withdrawing millions in cash, and charging personal expenses and luxury items to Collectors Café credit and debit cards. The SEC's complaint also alleges that Kontilai attempted to conceal this fraudulent conduct by producing fabricated documents to the SEC, including documents that purported to show that Kontilai loaned millions of dollars to Collectors Café.

The SEC's complaint charges Collectors Café and Kontilai with violations of the antifraud provisions of Section 17(a) of the Securities Act of 1933 and Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5 thereunder. The complaint seeks permanent injunctions, disgorgement plus prejudgment interest, and penalties.

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 Miller, and supervised by Gregory Kasper.