

[Securities Regulation Daily Wrap Up, FRAUD AND MANIPULATION—N.D. Cal.: SEC charges lobbyist Jack Abramoff with conducting fraudulent token sales, \(Jun. 26, 2020\)](#)

Securities Regulation Daily Wrap Up

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By [Joanne Cursinella, J.D.](#)

The Commission alleges that at least \$5.6 million was raised from more than 2,400 investors by selling tokens that could later be converted to AML BitCoin.

The SEC has filed two complaints in the Northern District of California alleging that political lobbyist Jack Abramoff, the NAC Foundation, and CEO Rowland Marcus Andrade conducted a fraudulent, unregistered offering of AML BitCoin, a digital asset security that the defendants claimed was a new and improved version of bitcoin ([SEC v. NAC Foundation, LLC](#); [SEC v. Abramoff](#), June 25, 2020).

Separately, the U.S. Attorney's Office for the Northern District of California [announced](#) parallel criminal actions against Andrade and Abramoff, charging [Andrade](#) with wire fraud and [Abramoff](#) with conspiracy to commit wire fraud and lobbying disclosure violations. According to the DOJ's news release, Abramoff has agreed to enter a guilty plea in his first-ever criminal prosecution.

Digital asset securities. According to the Commission, this case involves the fraudulent and unregistered offer and sale of digital asset securities by NAC Foundation, LLC, a company that was in early-stage development of a blockchain-based digital token called AML BitCoin. NAC allegedly claimed that the token was superior to the original bitcoin because it had anti-money laundering, know-your-customer, and other security features encoded in the smart contracts for the token and was compliant with regulatory requirements relating to cryptocurrencies, including in the U.S. But the SEC's complaints allege that none of the advertised capabilities existed and the development of AML BitCoin and its blockchain was in the very early stages.

As NAC's founder and CEO, Andrade was the primary architect and beneficiary of the offering, the SEC claimed, and consultant Abramoff also promoted the offering, which allegedly raised least \$5.6 million from approximately 2,400 retail investors, primarily in the U.S., from at least August 2017 through December 2018.

False claims. According to the SEC, NAC and Andrade falsely claimed that multiple government agencies were negotiating to use AML BitCoin, and that he and Abramoff also falsely claimed that they were on the verge of advertising AML BitCoin during the Super Bowl in an effort to create interest in the offering, despite NAC being unable to afford the cost of the ad.

Abramoff also allegedly arranged for NAC to pay for ostensibly independent articles about AML BitCoin that included many of the allegedly misleading statements. The SEC also claims that the Andrade directed a market manipulation strategy to boost the token's trading volume and price and diverted approximately \$1.1 million from the offering for his personal use.

Relief sought. The SEC is charging the defendants with violating the federal securities laws' antifraud and securities registration provisions, and is also charging Abramoff with broker-dealer registration violations. The SEC is asking for permanent injunctions, disgorgement, and civil penalties, as well as injunctions prohibiting NAC and Andrade from participating in future securities offerings and barring Abramoff from serving as a public company officer or director. According to a [press release](#), Abramoff has agreed to a settlement imposing permanent and conduct-based injunctions, officer-and-director, industry, and penny stock bars, disgorgement of the \$50,000 in commissions he received, plus prejudgment interest of \$5,501. The settlement reserves the issue of civil penalties for further determination by the court upon motion of the SEC and is subject to court approval.

The cases are [No. 3:20-cv-04188](#) (*NAC Foundation*) and [No. 3:20-cv-04190](#) (*Abramoff*).

Attorneys: Marc David Katz for the SEC.

Companies: NAC Foundation, LLC

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