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**STATE OF WASHINGTON  
DEPARTMENT OF FINANCIAL INSTITUTIONS  
SECURITIES DIVISION**

IN THE MATTER OF DETERMINING  
Whether there has been a violation of the  
Securities Act of Washington by:

Order No.: S-18-2441-20-CO01

CONSENT ORDER

Unikrn, Inc.;  
Unikrn Bermuda Ltd.;

Respondents

**INTRODUCTION**

Pursuant to the Securities Act of Washington, RCW 21.20, the Securities Division of the Department of Financial Institutions (“Securities Division”) and Respondents Unikrn, Inc. and Unikrn Bermuda Ltd., (collectively “the Respondents”), hereby enter into this Consent Order in settlement of the matters alleged herein. The Respondents neither admit nor deny the Findings of Fact and Conclusions of Law as stated below.

**FINDINGS OF FACT**

**Respondents**

1. Unikrn Inc. (“Unikrn”) is a Delaware corporation, formed on September 15, 2014. Unikrn operates an Internet-based platform for viewing and betting on esports. During at least July to October 2017, the period of the cryptocurrency offering described further below, Unikrn’s principal place of business was Seattle, Washington.

2. Unikrn Bermuda Ltd. (“Unikrn Bermuda”) is a Bermuda corporation, originally formed on September 11, 2017. Unikrn Bermuda is a wholly-owned subsidiary of Unikrn, and was created primarily to facilitate the UKG token sale. Unikrn Bermuda also holds the rights to most of the intellectual property associated with the UKG sale.

CONSENT ORDER

DEPARTMENT OF FINANCIAL INSTITUTIONS  
Securities Division  
PO Box 9033  
Olympia, WA 98507-9033  
360-902-8760

1 **Nature of the Conduct**

2 **Overview**

3 3. In mid-to-late 2017, Unikrn conducted an offering of UnikoinGold (“UKG”), its  
4 cryptocurrency for betting on e-sports. Unikrn initially conducted a presale from July to September 2017, then  
5 a public sale in September and October 2017. During the presale, Unikrn took payment in Ethereum (“ETH”),  
6 US dollars (“USD”) and Bitcoin, raising a total of approximately \$16 million in USD. During the public sale,  
7 Unikrn took payment in ETH, raising approximately 56,000 ETH from approximately 6,700 investors,  
8 including approximately 135 Washington residents. In total, Unikrn raised approximately 112,720 ETH,  
9 worth approximately \$31.4 million USD at the close of the offering; approximately \$300,000 USD came from  
10 Washington residents.

11 4. Unikrn and Unikrn Bermuda’s actions and statements in marketing UKG, during both the  
12 presale and public sale, created a reasonable expectation for purchasers that UKG would be a viable  
13 investment. In particular, the marketing materials for UKG and Unikrn’s CEO’s statements in interviews  
14 created the impression that Unikrn and its management would work to increase the value of UKG over the  
15 long run, using the funds raised in the token sale.

16 **Background Concepts**

17 5. “Esports” involves video gamers playing popular games competitively for an audience, usually  
18 by streaming their games over the Internet to allow viewers to watch from home. Esports has become a  
19 significant growth industry in recent years, with popular players often able to earn a living from tournament  
20 winnings and sponsorships.

21 6. “Cryptocurrency” refers to a type of digital asset which is designed as a store of value and can  
22 be used for various types of transactions with other users of the cryptocurrency. The best-known  
23 cryptocurrency ecosystems are Bitcoin and Ethereum. In the last several years, cryptocurrencies have often

1 been marketed and sold to the public in large, time-limited sales known as Initial Coin Offerings (“ICOs”) or  
2 token sales.

3 7. A “blockchain” is a decentralized ledger system which uses collective computing power to  
4 record transactions. Most cryptocurrencies are based on a blockchain system. Generally, an initial group of  
5 developers will create the concept for a particular cryptocurrency and the underlying blockchain system, then  
6 market the token to the public in a “whitepaper” describing the use for the cryptocurrency, the persons  
7 involved in creating it, and future development plans. The degree of subsequent involvement by the initial  
8 developers can vary widely depending on the particular cryptocurrency, with some cryptocurrencies designed  
9 to require further expansion and maintenance efforts by the developers and some designed to be run by users  
10 through, e.g., decentralized voting mechanisms.

11 8. Because many ICOs and token sales are marketed as investments, they have been a significant  
12 focus of securities regulators over the past several years. For instance, in July 2017, the Securities and  
13 Exchange Commission (“SEC”) released a report commonly known as the “DAO Report,” in which it laid  
14 out the application of the federal securities laws to cryptocurrency offerings. In the DAO Report, the SEC  
15 explained that the *Howey* test for investment contracts, derived from a 1946 Supreme Court case, applies to  
16 the offer and sale of cryptocurrencies. Thus, if the fundamental economic arrangement of a cryptocurrency  
17 offering involves an investment of money in a common enterprise with a reasonable expectation of profits  
18 based on the efforts of others, the offering is as “investment contract” and is subject to both state and federal  
19 securities laws. SEC staff has also released more recent guidance on digital asset offerings, describing  
20 particular facts of a cryptocurrency offering which make it more likely to be a security.<sup>1</sup>

21

22

23 <sup>1</sup> Framework for Investment Contract Analysis of Digital Assets, SEC Strategic Hub for Innovation and Financial Technology  
(April 3, 2019), available at <https://www.sec.gov/files/dlt-framework.pdf>.

## UnikoinGold Overview

9. UnikoinGold (“UKG”) is a cryptocurrency, issued by Unikrn Bermuda and marketed by Unikrn, which is designed to serve as a currency for betting on esports using Unikrn’s platform. Unikrn and Unikrn Bermuda conducted the initial sale of UKG in two stages: a presale to large investors from July to September 2017, and a crowdsale open to the general public in September and October 2017.

10. Unikrn intended for UnikoinGold to supplement its existing Unikoin, which had been introduced in 2015 and had previously been used for betting activities on the Unikrn platform, but which had no real-money value, could not be transacted anywhere other than the Unikrn platform, and was not blockchain-based. After the initial token sale, Unikrn rebranded the original Unikoin as UnikoinSilver.

11. At the time of the UKG offering, the Unikrn platform had some betting-related functionality, such as jackpots for items in certain video games, the ability to trade virtual items for UKG, and the ability to enter tournaments for UKG prizes. As part of the UKG offering, Unikrn advertised various features which it planned to implement over time. Since the UKG offering’s conclusion in late 2017, Unikrn has continued to expand its platform and has implemented features such as a proprietary cryptocurrency wallet and betting by viewers on esports matches in jurisdictions where it is licensed to offer such services.

### Pooling of UKG Purchaser Funds to Develop the Unikrn Platform

12. Unikrn and Unikrn Bermuda communicated to purchasers that they planned to use the proceeds of the UKG sale to continue to develop Unikrn’s platform, and that they had specifically structured the UKG sale to raise the amount needed for its estimated development roadmap. In the terms for the public token sale, Unikrn Bermuda stated that it planned to sell enough UKG to raise “the estimated amount in Ether needed (in addition to sale proceeds received in the Pre-sale) to complete [Unikrn Bermuda’s] development roadmap, currently estimated as 327,174 ETH.” Unikrn Bermuda further stated that it planned to use the funds “for the

1 ongoing development of the [Unikrn] Platform and associated open-source software tools for users and  
2 developers to leverage the Platform.”

3 13. Unikrn staff, including its CEO, viewed the token sale as essentially a form of funding round.  
4 For instance, in his initial email to Unikrn staff announcing the token sale, the CEO stated that the token sale  
5 would “exponentially multiple [*sic*] our valuation and bring in massive liquidity and cash into Unikrn to  
6 continue building our business. After it’s all said and done we can decide if we ever need to raise again or  
7 not.” The CEO also stated, in an email to presale participants (some of whom were equity investors in Unikrn),  
8 that the UKG sale would substantially increase Unikrn’s value as a company because “Unikrn will be holding  
9 a significant amount of UKG in our cold storage. So essentially Unikrn asset value goes up based on the total  
10 value of the tokens we’re holding and the additional revenue being generated.” Unikrn’s statements regarding  
11 the substantial amount of UKG it planned to hold would further the impression, for a reasonable investor, that  
12 Unikrn would work to enhance the value of UKG over time.

### 13 Unikrn’s Statements on the Long-Term Value of UKG

14 14. Based on Unikrn’s statements and conduct before and during the token sale, UKG purchasers  
15 would have had a reasonable expectation of profit, or of some other valuable benefit, based on the efforts of  
16 others. In particular, Unikrn’s marketing campaign for UKG centered largely around the idea that Unikrn’s  
17 skilled management team would drive long-term value in the token over time.

18 15. In marketing to potential purchasers during the presale of UKG, Unikrn advertised the token  
19 through statements such as “[b]y increasing the turnover and betting volume of UKG on our platform and  
20 improving our product offering, the value of UKG will naturally go up.” And, while Unikrn was generally  
21 more cautious in the public sale about referring to UKG as an investment and included a clause in the sale  
22 terms indicating that the purchaser did not view the token as an investment, company leadership also made  
23 several statements touting the anticipated growth in value of UKG for public-sale purchasers. For instance, in

1 an interview on YouTube, one participant asked Unikrn’s CEO how the value of UKG would increase in the  
2 future. The CEO stated that “[w]e are not here to talk about this token as an investment,” but “[a]s we add  
3 more features and functionality on the platform, we can further justify the value of the token. So it is very  
4 important for us to create that stable ecosystem and stable token so that over time, when we add more features  
5 and more people start using the platform and when we can further justify the value as that grows.” Unikrn’s  
6 statements during both the presale and public sale, along with other similar statements about UKG’s long-  
7 term value, would have caused a reasonable purchaser to believe that UKG would increase in value over time  
8 due to Unikrn’s efforts to improve its platform and grow its user base.

9 16. During the public sale, Unikrn repeatedly touted the success of the earlier presale, in particular  
10 the participation of Mark Cuban and other large investors, which would have led a reasonable UKG purchaser  
11 to expect profits from their sale. Advertising the participation of large and well-known investors in the UKG  
12 offering would naturally create the impression that public-sale purchasers should also view UKG as a good  
13 investment. In fact, several UKG purchasers, in a response to a Securities Division questionnaire, cited Mark  
14 Cuban’s participation as one of the primary reasons they bought UKG.

15 17. Consistent with the expectation that demand for the token would drive value, Unikrn advertised  
16 specific new functions which the company planned to build on the platform. For instances, in the “Terms of  
17 Token Sale” for public-sale purchasers, Unikrn Bermuda described expected future uses for UKG as  
18 “accessing premium esports content and jackpot rooms, tipping esports personalities, receiving rewards for  
19 playing esports games, purchasing in-game items, and various esports betting uses.”

20 18. Before the offering, Unikrn was aware of the risk that UKG could be considered a security by  
21 regulatory authorities. One member of UKG’s staff wrote in an email chain to the CEO, with the subject line  
22 “Unikrn – draft securities analysis,” that it was “[p]robably too late to eliminate US now unless we can pick  
23 up some huge Asian purchasers.”

## UKG Purchasers' Reliance on Unikrn

1  
2 19. In marketing materials throughout the UKG offering, Unikrn touted the experience of its  
3 management team and its planned efforts to improve the platform and add additional features over time,  
4 thereby driving demand and increasing the long-term value of UKG. For instance, on July 19, 2017, Unikrn's  
5 CEO made a post on Inc42.com publicizing the ICO, titled "Why Mark Cuban Has Chosen To Participate In  
6 Our UnikoinGold Token Sale (AKA) ICO." In the post, the CEO touted Cuban's involvement in Unikrn and  
7 participation in the token sale, along with the success of the existing Unikoin, writing that "[c]ryptocurrencies  
8 get value by demand like anything else, so you want to be sure the team offering a token is capable enough to  
9 drive demand and usage." The CEO closed the post by writing "I'll say it again – a key to a successful token  
10 sale is that the company creating it will drive value with the token. If there is usage, there is demand, and the  
11 token value, therefore, will remain strong."

12 20. The structure of the token sale allowed Unikrn to play a substantial ongoing role in the  
13 development of the UKG ecosystem. In the terms for the public token sale, Unikrn Bermuda stated that it  
14 would create a total of 1 billion UKG, but would release only 20% of the total (200 million) to the public as  
15 part of the token sale. Unikrn Bermuda further stated that it anticipated allocating the remaining 80% of the  
16 total UKG supply as follows:

- 17 a. 35% to "various purposes related to user growth and development of the Platform,  
18 including, without limitation, supplementing the supply of UnikoinGold in the ecosystem  
19 at Company's discretion,"
- 20 b. 20% to "Company cold storage, to be later released into the ecosystem by Company at its  
21 discretion,"
- 22 c. 15% to a "betting reserve," and  
23

1 d. 10% to Unikrn’s “founding team and employees.”<sup>2</sup>

2 Based on the substantial amount of UKG held by the company and its employees, UKG purchasers would  
3 reasonably have expected to profit from their purchase because Unikrn and its key employees would have a  
4 significant incentive to work to cause the value of the token to appreciate.

5 21. Unikrn made similar statements regarding the expected allocation of the ETH raised in the  
6 UKG sale. In early versions of the whitepaper, Unikrn advertised to purchasers that it would allocate the ETH  
7 raised in the UKG sale as follows: 60% to “Platform Development,” 20% to “Marketing and Contractors,”  
8 15% to “Administration,” and 5% to “Contingency.” Ultimately, although 1 billion tokens were created, only  
9 about 150 million were distributed to pre-sale and token sale purchasers, with the remainder (other than a  
10 small number used for the betting reserve and testing on the Unikrn platform) staying unused and in cold  
11 storage.

12 22. UKG purchasers were also reliant on Unikrn and Unikrn Bermuda because they controlled the  
13 intellectual property associated with the Unikrn platform. Some cryptocurrency offerings are designed to be  
14 open-source and decentralized, with the user community playing the primary role in developing further uses  
15 for the platform. The development of UKG, however, is legally dependent on Unikrn and Unikrn Bermuda.  
16 At Unikrn Bermuda’s inception, Unikrn transferred the intellectual property rights associated with UKG to  
17 Unikrn Bermuda. Currently, according to Unikrn’s counsel, “control of the development of the Transferred  
18 IP, economic ownership of the Transferred IP, and rights to revenue from selling products derived from the  
19 Transferred IP remain[s] with Unikrn Bermuda.”

20 23. In marketing the UKG public sale, Unikrn and Unikrn Bermuda offered UKG to a broad class  
21 of potential purchasers, and did not limit the offering to expected users of the Unikrn platform. Unikrn hired  
22

23 <sup>2</sup> These specific numbers are taken from the final version of the whitepaper; some earlier versions had different numbers.



1 a marketing firm partway through the public token sale; the marketing firm’s early efforts were primarily  
2 focused on cryptocurrency-related channels rather than esports. For instance, the marketing firm paid for  
3 placement in YouTube channels such as “Bitcoin for Beginners,” “Rich TV Live,” and “Crypto Hype.”

4 24. The actual behavior of token sale participants also demonstrates that the substantial majority  
5 expected UKG to be a passive investment. According to data provided by Unikrn, 6,635 unique user IDs  
6 participated in the public token sale. Of these, as of February 2019, only 172 (approximately 2.6% of the total)  
7 had ever used UKG to participate in any of the UKG-related features offered by Unikrn up to that point. The  
8 disparity is even more significant for large-volume purchasers. Of the top 100 UKG public-sale purchasers,  
9 one participated in one raffle; the remaining 99 have never used UKG on the Unikrn platform in any way.  
10 Unikrn also did not impose any restrictions on the platform to ensure that UKG purchasers were using it on  
11 the platform rather than as an investment (for instance, by mandating that UKG holders make at least one bet  
12 before withdrawing or selling their UKG).

13 25. Unikrn Bermuda imposed a per-purchaser limit of 962.27868 ETH worth of UKG, which  
14 Unikrn’s CEO claimed was based on analysis of betting volume by large bettors on a similar previous  
15 platform, along with expected growth in the esports industry. This limit, however, did not meaningfully  
16 restrict investment in UKG for two reasons. First, during the public sale period, ETH generally traded in the  
17 high \$200s to low \$300s. UKG purchasers could thus buy well over \$200,000 USD worth of UKG (even over  
18 \$300,000 depending on time of purchase), amounts which were much more consistent with investing than  
19 with on-platform use. Second, Unikrn Bermuda had already tapped its pool of large investors in the presale,  
20 meaning that any potential crowdsale purchasers who were considering UKG as an investment were unlikely  
21 to purchase the token in amounts which would approach the cap.  
22  
23

1 **Integration of the Presale and Public Sale**

2 26. The presale and public sale were fundamentally one offering for a number of reasons. First,  
3 Unikrn and Unikrn Bermuda treated the presale and public sale as part of a single plan of financing in order  
4 to further develop the Unikrn platform. In the token sale terms for the public sale, Unikrn Bermuda stated that  
5 it was “limiting the approximate total proceeds . . . to the estimated amount in Ether needed (in addition to  
6 sale proceeds received in the Pre-sale) to complete Company’s development roadmap, currently estimated as  
7 327,174 ETH.” Second, the presale and public sale both involved the issuance of the same class of securities.  
8 Although the presale investors received the right to purchase UKG at a specified price through the SAFTs,  
9 and the public sale purchasers received UKG directly, the economic structure of the transaction was  
10 fundamentally similar. Third, the presale and public sale were planned at the same time and conducted  
11 immediately back-to-back. Unikrn closed the presale and began receiving payment on or about September 19,  
12 2017. The public sale began three days later, on September 22, 2017. Fourth, Unikrn and Unikrn Bermuda  
13 received, in many cases, the same type of consideration in both the public sale and the presale. Unikrn received  
14 substantial amounts of payment in ETH for the presale, and received it entirely in ETH for the public sale.  
15 Fifth, both the presale and the public sale were made for the same general purpose: raising capital for Unikrn  
16 to further develop its platform.

17 **Registration Status**

18 27. Unikrn Bermuda is not currently registered to sell its securities in the State of Washington and  
19 has not previously been so registered, nor has it filed a claim of exemption from registration for the public  
20 sale.

21 28. Unikrn is not and has never been registered as a broker-dealer in the State of Washington.

22  
23 Based upon the above Findings of Fact, the following Conclusions of Law are made:

1 **CONCLUSIONS OF LAW**

2 1. The offer and/or sale of the UnikoinGold, as described above, constitutes the offer and/or sale  
3 of a security as defined in RCW 21.20.005(14) and (17).

4 2. Unikrn and Unikrn Bermuda have violated RCW 21.20.140, because, as set forth in the  
5 Tentative Findings of Fact, they offered and/or sold securities for which no registration is on file with the  
6 Securities Administrator.

7 3. Unikrn has violated RCW 21.20.040 by offering and/or selling said securities while not being  
8 registered as a securities salesperson or broker-dealer in the state of Washington.

9 Based upon the foregoing and finding it in the public interest:

10 **CONSENT ORDER**

11 IT IS AGREED AND ORDERED that Respondents Unikrn Inc. and Unikrn Bermuda Ltd., and their  
12 agents and employees, each shall cease and desist from violating RCW 21.20.140, the securities registration  
13 section of the Securities Act of Washington.

14 IT IS FURTHER AGREED AND ORDERED that Respondent Unikrn Inc., and its agents and  
15 employees, each shall cease and desist from violating RCW 21.20.040, the securities salesperson and broker-  
16 dealer registration section of the Securities Act of Washington.

17 IT IS FURTHER AGREED AND ORDERED that Respondent Unikrn Inc. shall be liable for and shall  
18 pay a fine of \$300,000 on or before the entry of this Consent Order, and that such fine will be deemed satisfied  
19 by Respondent Unikrn Inc.’s payment to the Securities and Exchange Commission in Administrative  
20 Proceeding No. 3-20003.

21 IT IS FURTHER AGREED AND ORDERED that Respondent Unikrn Inc. shall be liable for and shall  
22 pay investigative costs of \$10,000 on or before entry of this Consent Order.

23 IT IS FURTHER AGREED that the Securities Division has jurisdiction to enter this Consent Order.

1 IT IS FURTHER AGREED that Respondents Unikrn Inc. and Unikrn Bermuda Ltd. enter into this  
2 Consent Order freely and voluntarily and with a full understanding of its terms and significance.

3 IT IS FURTHER AGREED that in consideration of the foregoing, Respondents Unikrn Inc. and  
4 Unikrn Bermuda Ltd. waive their right to a hearing and to judicial review of this matter pursuant to RCW  
5 21.20.440 and Chapter 34.05 RCW.

6 **WILLFUL VIOLATION OF THIS ORDER IS A CRIMINAL OFFENSE.**

7  
8 Signed this 15th day of September, 2020.

9 Signed by:

10 Unikrn, Inc.

11  
12 /s  
Rahul Sood  
13 CEO

14 Signed this 16th day of September, 2020.

15 Unikrn Bermuda Ltd.

16  
17 /s  
Chris Garrod  
18 Director

19 Approved as to form by:

20  
21 /s  
Joseph M. Wallin, Attorney for Respondents  
22 Washington State Bar #24286

23

1  
2 SIGNED and ENTERED this 24th day of September, 2020.

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4 

5  
6 William M. Beatty  
Securities Administrator

7 Approved by:

8 

9  
10 Suzanne Sarason  
Chief of Enforcement

11 Presented by:

12 

13  
14 Adam N. Yeaton  
Financial Legal Examiner

15 Reviewed by:

16  
17 

18  
19 Jack McClellan  
Financial Legal Examiner Supervisor

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21  
22  
23  
CONSENT ORDER

DEPARTMENT OF FINANCIAL INSTITUTIONS  
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