

**COMMONWEALTH OF MASSACHUSETTS  
OFFICE OF THE SECRETARY OF THE COMMONWEALTH  
SECURITIES DIVISION  
ONE ASHBURTON PLACE, ROOM 1701  
BOSTON, MASSACHUSETTS 02108**

	)	
IN THE MATTER OF:	)	
	)	
SPARKCO, INC. D/B/A LIBRIUM	)	
	)	Docket No. E-2018-0017

**CONSENT ORDER**

**I. PRELIMINARY STATEMENT**

This Consent Order (“Order”) is entered into by the Massachusetts Securities Division (the “Division”) and Sparkco, Inc. d/b/a Librium (hereinafter “Sparkco”) with respect to the investigation (Docket No. E-2018-0017) by the Enforcement Section of the Division (the “Enforcement Section”) into whether Sparkco’s activities and conduct violated MASS. GEN. LAWS ch. 110A, the Massachusetts Uniform Securities Act (the “Act”), and the corresponding regulations promulgated thereunder at 950 MASS. CODE REGS. 10.00 – 14.414 (the “Regulations”).

On March 22, 2018, Sparkco submitted an Offer of Settlement (“Offer”) to the Division. Sparkco neither admits nor denies the Statement of Facts set forth in Section V and the Violations of Law set forth in Section VI herein, and consents to the entry of this Order by the Division, consistent with the language and terms of the Offer, settling the investigation (Docket No. E-2018-0017) hereby with prejudice.

## **II. JURISDICTION AND AUTHORITY**

1. As provided for by the Act, the Division has jurisdiction over matters relating to securities. The Act authorizes the Division to regulate the offers and/or sales of securities, as well as those individuals offering and/or selling securities within the Commonwealth.
2. The Offer was made and this Order is entered in accordance with the Act. Specifically, the acts and practices investigated by the Enforcement Section took place in Massachusetts.

## **III. RELEVANT TIME PERIOD**

3. Except as otherwise expressly stated, the conduct described herein occurred during the approximate time period of January 1, 2017 to the present (the “Relevant Time Period”).

## **IV. RESPONDENT**

4. Sparkco, Inc. d/b/a Librium is a Delaware corporation with a principle business location in Massachusetts and a registered agent office of Harvard Business Services, Inc., 16192 Coastal Highway, Lewes, Delaware 19958.

## **V. STATEMENT OF FACTS**

5. During the Relevant Time Period, but prior to the offering of any cryptographic tokens, Sparkco operated a freelance platform business with multiple paying clients, and multiple freelance workers.
6. Sparkco planned to further expand its existing freelance platform operations by pre-selling its services through an initial coin offering (hereinafter “Librium ICO”) of Librium tokens (hereinafter “EQL”).

7. EQL embody the pre-selling of services on Sparkco's currently operating freelance platforms and beyond.
8. The Librium ICO opened on December 8, 2017.
9. No EQL were pre-sold before December 8, 2017.
10. No EQL were sold after December 8, 2017.
11. Sparkco maintains a website located at [librium.io](http://librium.io) in order to facilitate the Librium ICO.
12. The creation of EQL would take place during a token generation event after the close of the Librium ICO.
13. The supply of EQL is restricted to 1 billion tokens, of which, 400 million EQL will be offered for sale to the general public outside of the United States, or Accredited Investors within the United States.
14. The price of 17 EQL was benchmarked to \$1.00 (USD) of Ethereum (ETH) equivalents.
15. EQL was to be issued as an ERC-20 token, which utilizes the Ethereum blockchain, as opposed to building an independent blockchain.
16. The Librium ICO offered a bonus to early buyers: for the first \$1 million worth of EQL purchased, purchasers would receive a 20% bonus; between \$1 million and \$3 million, purchasers would receive a 15% bonus; and between \$3 million and \$7 million, purchasers would receive a 10% bonus.
17. The Librium ICO was set to have a hard cap of \$18 million (USD).

18. Sparkco utilized a variety of global social media platforms, including Bitcointalk, Reddit, Telegram, Twitter, and Discord in order to maintain a community around the Librium project.
19. After receiving the Division's February 5, 2018 subpoena, Sparkco represented to the Division that it had previously postponed indefinitely the proposed offering of EQL citing a lack of established regulatory guidance in the space.
20. EQL was to be available for purchase using Ethereum only.
21. Sparkco intended to pool funds raised from the sale of EQL to "to improve [its] agent reward ecosystem, build out a micro-payment system, and onboard additional digital partners..."
22. Potential buyers would have purchased EQL with a reasonable expectation of participating in the Librium Project in some manner.
23. EQL was to be available for purchase by individuals qualified as either "Accredited Buyers" or "Foreign Buyers".
24. Sparkco had built an automated web-based tool for use during a sale of EQL with the specific ability to verify the purchaser of EQL tokens as fitting the specified qualifications of an EQL buyer which included being an "Accredited Investor" and or being a "Foreign Investor."
25. During the Relevant Time Period, Sparkco has not been registered in any capacity in the securities industry in Massachusetts.
26. EQL are not registered in Massachusetts.
27. No Smart Contract for the Librium ICO was ever generated.
28. No EQL was ever created.

## VI. VIOLATIONS OF LAW

### Count I – Violations of MASS. GEN. LAWS ch. 110A, § 301

29. Section 301 of the Act provides:

It is unlawful for any person to offer or sell any security in the commonwealth unless:--

- (1) the security is registered under this chapter;
- (2) the security or transaction is exempted under section 402; or
- (3) the security is a federal covered security.

MASS. GEN. LAWS ch. 110A, § 301.

30. Section 401(k) of the Act provides:

“Security” means any note; stock; treasury stock; bond; debenture; evidence of indebtedness; certificate of interest or participation in any profit-sharing agreement; collateral-trust certificate; preorganization certificate or subscription; transferable share; investment contract; voting-trust certificate; certificate of deposit for a security; certificate of interest or participation in an oil, gas, or mining title or lease or in payments out of production under such a title or lease; or, in general, any interest or instrument commonly known as a “security,” or any certificate of interest or participation in, temporary or interim certificate for, receipt for, guarantee of, or warrant or right to subscribe to or purchase, any of the foregoing. “Security” does not include any insurance or endowment policy or annuity contract under which an insurance company promises to pay money either in a lump sum or periodically for life or some other specified period.

MASS. GEN. LAWS ch. 110A, § 401(k).

31. Section 14.401 of the Regulations provides:

Investment Contract, as used in Section 401(k) of the Act, includes:

- (1) any investment in a common enterprise with the expectation of profit to be derived through the essential managerial efforts of someone other than the investor. As used in 950 CMR 14.401, a “common enterprise” means an enterprise in which the fortunes of the investor are interwoven with and dependent upon the efforts and successes of those seeking the investment or a third party; and
- (2) any investment by which an offeree furnishes initial value to an offeror, and a portion of this initial value is subject to the risks of the

enterprise, and the furnishing of the initial value is induced by the offeror's promises or representations which give rise to a reasonable understanding that a valuable benefit of some kind over and above the initial value will accrue to the offeree as a result of the operation of the enterprise, and the offeree does not receive the right to exercise practical and actual control over the management of the enterprise.

950 MASS. CODE REGS. 14.401.

32. The Enforcement Section alleges that the conduct of Sparkco, as described above, constitutes violations of MASS. GEN. LAWS ch. 110A, § 301.

## **VII. ORDER**

### **IT IS HEREBY ORDERED:**

- A. Sparkco shall permanently desist from selling unregistered or non-exempt securities in Massachusetts;
- B. Sparkco is censured by the Division;
- C. Sparkco shall not make offers and sales of EQL in Massachusetts until EQL, or other such offerings, are registered as securities or exempt from registration as securities in Massachusetts. For any future registered or exempt offers of securities in Massachusetts, Sparkco shall file a Form U-2, Consent to Service of Process, with the Division as required by MASS. GEN. LAWS. ch. 110A, § 414(g);
- D. Prior to making any offers or sales of any future registered or exempt from registration securities in Massachusetts, Sparkco shall provide the Enforcement Section with written notice of such securities offerings;
- E. If applicable, Sparkco shall offer rescission of sales of EQL to those who purchased EQL prior to the date of the Order ("Eligible Buyers"), pursuant to the following terms:

- a. Sparkco's rescission offer shall be memorialized in a letter ("Offer Letter") dated and sent to the Eligible Buyers within forty-five (45) days of the entry of the Order;
- b. The Offer Letter shall be provided to the Division at least ten (10) days prior to the sending of the Offer Letter to Eligible Buyers.
- c. The terms, content and manner of the service of the Offer Letter shall not be unacceptable to the Division;
- d. The Offer Letter will remain open for a period of thirty (30) days from the date sent to the Eligible Buyers;
- e. Within forty-five (45) days of acceptance of an offer, Sparkco shall make payment of principal by check to the Eligible Buyers;
- f. Within thirty (30) days following the date that Sparkco makes restitution payments, Sparkco shall provide the Enforcement Section with a final accounting (the "Final Accounting") and certification of the disposition of the payments made pursuant to Section VII(E)(e). The Final Accounting shall be in a form not unacceptable to the Enforcement Section and include: (1) the name and address of each recipient of restitution; (2) the amount paid to each recipient of restitution; (3) the date of each payment; (4) evidence of all payments made; (5) the date and amount of any returned payment(s); (6) a description of any effort to locate a prospective recipient of restitution whose payment was returned, or to whom payment was not made due to factors beyond Sparkco's control; and (7) the balance of any undistributed funds, if any. Sparkco shall cooperate with reasonable

requests for information in connection with the Final Accounting and provide supporting documentation to the Enforcement Section upon request.

F. For good cause shown, the Enforcement Section may agree to extend any of the procedural deadlines set forth above. Any request to extend any of the procedural deadlines set forth above shall be made in writing; and

G. Upon issuance of the Order, if Sparkco fails to comply with any of the terms set forth in the Division's Order, the Enforcement Section may take appropriate action. Additionally, after a fair hearing and the issuance of an appropriate order finding that Sparkco has not complied with the Order, the Enforcement Section may move to have the Order declared null and void, in whole or in part, and re-institute the associated investigation.

*[The remainder of this page intentionally left blank]*



### **VIII. NO DISQUALIFICATION**

This Order waives any disqualifications in the Massachusetts laws, or rules or regulations thereunder, including any disqualifications from relying upon the registration exemptions or safe harbor provisions to which Sparkco may be subject. This Order is not intended to form the basis of any disqualifications under federal securities laws, rules or regulations thereunder, including but not limited to Section 3(a)(39) of the Securities Exchange Act of 1934 or Rule 506 of Regulation D under the Securities Act of 1933.

**WILLIAM FRANCIS GALVIN  
SECRETARY OF THE COMMONWEALTH**

By: 

Bryan J. Lantagne  
First Deputy – Secretary of State  
Director – Massachusetts Securities Division  
One Ashburton Place, Room 1701  
Boston, MA 02108

Date: March 27, 2018