

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES ACT OF 1933
Release No. 10582 / December 7, 2018

ADMINISTRATIVE PROCEEDING
File No. 3-18913

In the Matter of

COINALPHA ADVISORS LLC,

Respondent

ORDER INSTITUTING CEASE-AND-DESIST PROCEEDINGS PURSUANT TO SECTION 8A OF THE SECURITIES ACT OF 1933, MAKING FINDINGS, AND IMPOSING A CEASE-AND-DESIST ORDER

I.

The Securities and Exchange Commission (“Commission”) deems it appropriate that cease-and-desist proceedings be, and hereby are, instituted pursuant to Section 8A of the Securities Act of 1933 (“Securities Act”) against CoinAlpha Advisors LLC (“Respondent”).

II.

In anticipation of the institution of these proceedings, Respondent has submitted an Offer of Settlement (the “Offer”), which the Commission has determined to accept. Solely for the purpose of these proceedings and any other proceeding brought by or on behalf of the Commission, or to which the Commission is a party, and without admitting or denying the findings herein, except as to the Commission’s jurisdiction over it and the subject matter of these proceedings, which are admitted, Respondent consents to the entry of this Order Instituting Cease-and-Desist Proceedings Pursuant to Section 8A of the Securities Act of 1933, Making Findings, and Imposing a Cease-and-Desist Order (“Order”), as set forth below.

III.

On the basis of this Order and Respondent’s Offer, the Commission finds that:

Respondent

1. **CoinAlpha Advisors LLC** (“CoinAlpha”) is a Delaware limited liability company with its principal place of business in Sunnyvale, California. CoinAlpha was formed in July 2017 to act as the managing member of and manager to CoinAlpha Falcon LP. CoinAlpha has never been registered with the Commission in any capacity.

Related Entity

2. **CoinAlpha Falcon LP** (“Fund”) is a Delaware limited partnership with its principal place of business in Sunnyvale, California. The Fund has never been registered with the Commission in any capacity. A total of 22 investors invested a total of \$608,491 in the Fund. In October 2018, after being contacted by the Commission staff concerning the issues herein, CoinAlpha unwound the Fund, pursuant to the authority granted in the Fund’s Limited Partnership Agreement.

Facts

3. Respondent formed the Fund in October 2017 for the purpose of investing in digital assets. From October 2017 through May 2018 (the “Relevant Period”), Respondent raised approximately \$600,000 from 22 investors, residing in at least five U.S. states. Through this offering, the investors purchased limited partnership interests in the Fund in exchange for a pro rata share of any profits derived from the Fund’s investment in digital assets.

4. Respondent filed a Form D Notice of Exempt Offering of Securities with the Commission on November 3, 2017. CoinAlpha did not file or cause to be filed a registration statement with the Commission, and no exemption from registration was available for the securities offering during the Relevant Period.

5. Respondent did not have pre-existing substantive relationships with nine of the Fund’s investors and engaged in a general solicitation of public interest in the securities offering through CoinAlpha’s website, which was generally accessible without password protection. Additionally, Respondent engaged in general solicitation through blog postings, and media interviews and digital asset and blockchain conferences, accessible both *via* live attendance and through the Internet. Despite collecting accredited investor questionnaires and representations from investors certifying to their accredited investor status, Respondent did not take reasonable steps to verify that investors in the Fund were accredited investors.

6. Respondent controlled and directed the investment of the Fund’s assets. Pursuant to the terms of its management agreement with the Fund, CoinAlpha earned both management fees from the Fund and was entitled to incentive fees based on the Fund’s investment performance. In 2017, Respondent received a distribution of management fees and incentive fees based on the Fund’s performance. In 2018, Respondent accrued management and incentive fees, but did not take any distributions from the Fund.

7. Respondent immediately halted the offering when contacted by the Commission staff and undertook a review of its website, social media postings, digital asset and blockchain conference marketing materials, and offering procedures. Respondent further voluntarily reimbursed all fees it had already collected, surrendered all rights to future management and incentive fees, unwound the Fund, and made payments to ensure that no Fund investor suffered a loss. During the Commission staff’s investigation, Respondent retained a third party who determined that all 22 investors were accredited investors.

Violations

8. As a result of the conduct described above, Respondent violated Section 5(a) of the Securities Act, which prohibits the sale of securities through interstate commerce or the mails unless a registration statement is in effect, and Section 5(c) of the Securities Act, which prohibits the offer to sell any security through interstate commerce or the mails, unless a registration statement has been filed as to such security with the Commission.

Respondent's Remedial Efforts

9. In determining to accept the Offer, the Commission considered remedial acts promptly undertaken by Respondent and cooperation afforded to the Commission staff.

IV.

In view of the foregoing, the Commission deems it appropriate to impose the sanctions agreed to in Respondent's Offer.

Accordingly, pursuant to Section 8A of the Securities Act, it is hereby ORDERED that:

A. Respondent CoinAlpha cease and desist from committing or causing any violations and any future violations of Sections 5(a) and 5(c) of the Securities Act.

B. Respondent shall, within 10 days of entry of this Order, pay a civil money penalty in the amount of \$50,000 to the Securities and Exchange Commission for transfer to the general fund of the United States Treasury, subject to Exchange Act Section 21F(g)(3). If timely payment is not made, additional interest shall accrue pursuant to 31 U.S.C. § 3717.

Payment must be made in one of the following ways:

- (1) Respondent may transmit payment electronically to the Commission, which will provide detailed ACH transfer/Fedwire instructions upon request;
- (2) Respondent may make direct payment from a bank account via Pay.gov through the SEC website at <http://www.sec.gov/about/offices/ofm.htm>; or
- (3) Respondent may pay by certified check, bank cashier's check, or United States postal money order, made payable to the Securities and Exchange Commission and hand-delivered or mailed to:

Enterprise Services Center
Accounts Receivable Branch
HQ Bldg., Room 181, AMZ-341
6500 South MacArthur Boulevard
Oklahoma City, OK 73169

Payment by check or money order must be accompanied by a cover letter identifying CoinAlpha Advisors LLC, as a Respondent in these proceedings, and the file number of these proceedings; a copy of the cover letter and check or money order must be sent to C. Dabney O’Riordan, Co-Chief, Asset Management Unit, Division of Enforcement, Securities and Exchange Commission, 444 South Flower Street, Suite 900, Los Angeles, CA 90071.

C. Amounts ordered to be paid as civil money penalties pursuant to this Order shall be treated as penalties paid to the government for all purposes, including all tax purposes. To preserve the deterrent effect of the civil penalty, Respondent agrees that in any Related Investor Action, it shall not argue that it is entitled to, nor shall it benefit by, offset or reduction of any award of compensatory damages by the amount of any part of Respondent’s payment of a civil penalty in this action (“Penalty Offset”). If the court in any Related Investor Action grants such a Penalty Offset, Respondent agrees that it shall, within 30 days after entry of a final order granting the Penalty Offset, notify the Commission’s counsel in this action and pay the amount of the Penalty Offset to the Securities and Exchange Commission. Such a payment shall not be deemed an additional civil penalty and shall not be deemed to change the amount of the civil penalty imposed in this proceeding. For purposes of this paragraph, a “Related Investor Action” means a private damages action brought against Respondent by or on behalf of one or more investors based on substantially the same facts as alleged in the Order instituted by the Commission in this proceeding.

By the Commission.

Brent J. Fields
Secretary