UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES ACT OF 1933
Release No. 11239 / September 20, 2023

ADMINISTRATIVE PROCEEDING
File No. 3-21682

In the Matter of

JAMES MICHAEL WINES,

Respondent.

ORDER INSTITUTING CEASE-AND-DESIST PROCEEDINGS, PURSUANT TO SECTION 8A OF THE SECURITIES ACT OF 1933, MAKING FINDINGS, AND IMPOSING REMEDIAL SANCTIONS AND 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 James Michael Wines ("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 proceedings 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 him and the subject matter of these proceedings, which are admitted, and except as provided herein in Section V, 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 Remedial Sanctions and a Cease-and-Desist Order ("Order"), as set forth below.

III.

On the basis of this Order and Respondent's Offer, the Commission finds[1] that:

Summary

1. Respondent's company, Gebo Group LLC ("Gebo Group"), assisted in the offer and sale of crypto asset securities, raising more than $1.5 million in May 2021 (the "Offering"). Respondent participated in the drafting, review, and approval of a press release promoting the Offering, as well as the underlying purchase agreements for the Offering. The crypto asset securities that were the subject of the Offering were never issued, and Respondent held certain proceeds of the Offering.

Respondent

2. Respondent, age 52, is a resident of Linden, Virginia. In 2018, Respondent formed Gebo Group. Respondent was the only member, manager, officer, director, or shareholder of Gebo Group.

Relevant Entity

3. Gebo Group, incorporated in Wyoming in 2018, was a FinCEN-registered money services business. Gebo Group's principal place of business was in Jersey City, New Jersey. Gebo Group filed articles of dissolution in November 2021, and no longer exists as a legal entity.

Background

4. In March 2021, Gebo Group partnered with another entity ("Company A") to assist in offering and selling crypto asset securities through a purported "open oracle network" ("Network A") created by Company A.

5. In a press release dated April 2, 2021, Network A announced that:

> "… it has secured commitments for over $50 million . . . in the 24 hours since the launch of their pre-IDO [Initial Decentralized Exchange Offering] to fund . . . [a] slate of projects."

The April 2, 2021 press release identified Respondent as a cofounder of Gebo Group and as an experienced securities lawyer.

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[1] The findings herein are made pursuant to Respondent's Offer of Settlement and are not binding on any other person or entity in this or any other proceeding.

6. The April 2, 2021 press release also promised that Network A would "launch a blockchain network token" in a forthcoming offering.

7. The engagement agreement between Gebo Group and Company A obligated Gebo Group, among other things, to "[d]evelop, test and deploy the . . . Token(s)," as well as "[p]romote the Offerings."

8. From May 8, to May 21, 2021, Gebo Group and Company A raised over $1.5 million in Tether ("USDT") from over 30 investors. The Offering was a purported "pre-sale" of crypto asset securities styled as "tokens" that would be issued by Network A at a token generation event scheduled for August 21, 2021. The tokens were offered and sold as investment contracts and thus securities. Each investor entered into a purchase agreement entitled either Simple Agreement for Future Tokens ("SAFT") or Agreement for Participation in Event ("APE") and transferred USDT to a crypto asset wallet address controlled by Respondent and others in exchange for the promise of a future delivery of a specific crypto asset security.

9. Pursuant to the use of proceeds provisions in the SAFT and APE, "the first $6,650,000 of the [Offering] proceeds is intended to be used to reimburse a particular contractor for services previously performed in connection with" one of the projects in the "slate of projects."

The Statements at Issue

10. Respondent participated in the drafting, review, and approval of the April 2, 2021 press release that included the statement that Network A had "secured commitments for over $50 million," without exercising the reasonable care necessary to determine that $50 million had not in fact been transferred from, or committed through binding agreements with, investors.

11. Respondent also participated in the drafting, review, and approval of the Offering's SAFT and APE, which included use of proceeds provisions that described the person or entity who would be reimbursed as a "contractor" without exercising the reasonable care necessary to determine that the person or entity instead was a creditor (the "Judgment Creditor") who had obtained a substantial judgment against Company A and one of its principals.

12. The Offering's token generation event never occurred. The USDT contributed by investors were, in part, transferred to the Judgment Creditor's attorney and used for other purposes. The remaining proceeds of the Offering were initially held in a crypto asset wallet to which multiple individuals, including Respondent, had the private key.

13. On May 22, 2022, Respondent transferred the remaining proceeds of the Offering from its original crypto asset wallet address to a wallet address that Respondent exclusively controlled (the "Investor Funds Wallet"). Respondent effectuated this transfer on the advice of counsel to safeguard the funds and for the benefit of investors, after discovering that a portion of those investor funds had been withdrawn from the original wallet for unknown purposes.

14. Respondent has since returned the funds in the Investor Funds Wallet to Network A investors on a *pro rata* basis.

Violations

15. As a result of the conduct described above, Respondent violated Sections 17(a)(2) and (3) of the Securities Act, which makes it unlawful for any person in the offer or sale of any securities to obtain money or property by means of any untrue statement of a material fact or any omission to state a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading, or engage in any transaction, practice or course of business which operates or would operate as a fraud or deceit upon the purchaser. Claims under Sections 17(a)(2) and (3) of the Securities Act do not require a showing of scienter; instead, a showing of negligence is sufficient. *Aaron v. SEC,* 446 U.S. 680, 697 (1980); *SEC v. Hughes Capital Corp.,* 124 F.3d 449, 453-54 (3d Cir. 1997).

Respondent's Cooperation and Remedial Efforts

16. In determining to accept the Offer, the Commission considered remedial acts promptly undertaken by Respondent and cooperation that he 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 cease and desist from committing or causing any violations and any future violations of Sections 17(a)(2) and (3) of the Securities Act.

B. Respondent acknowledges that the Commission is not at this time imposing a civil penalty based upon his agreement to cooperate in a Commission investigation or related enforcement action. Respondent also acknowledges that the Commission is not at this time imposing disgorgement or prejudgment interest based upon his remedial measures to return investor funds that were under his control. However, Respondent agrees to additional proceedings in this proceeding to determine what, if any, disgorgement and prejudgment interest or civil penalties are appropriate under Section 8A of the Securities Act. In connection with such additional proceedings: (a) Respondent agrees that he will be precluded from arguing that he did not violate the federal securities laws described in this Order; (b) Respondent agrees that he may not challenge the validity of this Order; (c) solely for the purposes of such additional proceedings, the findings made in this Order shall be accepted as and deemed true by the hearing officer; and (d) the hearing officer may determine the issues raised in the additional proceedings on the basis of affidavits,

declarations, excerpts of sworn deposition or investigative testimony, documentary evidence, and, if the hearing officer determines it necessary, hearing testimony.

V.

It is further Ordered that, solely for purposes of exceptions to discharge set forth in Section 523 of the Bankruptcy Code, 11 U.S.C. §523, the findings in this Order are true and admitted by Respondent, and further, any debt for disgorgement, prejudgment interest, civil penalty or other amounts due by Respondent under this Order or any other judgment, order, consent order, decree or settlement agreement entered in connection with this proceeding, is a debt for the violation by Respondent of the federal securities laws or any regulation or order issued under such laws, as set forth in Section 523(a)(19) of the Bankruptcy Code, 11 U.S.C. §523(a)(19).

By the Commission.

Vanessa A. Countryman
Secretary