UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

ADMINISTRATIVE PROCEEDING
File No. 3-20208

In the Matter of

REGINALD BUDDY RINGGOLD, III, *aka* RASOOL ABDUL RAHIM EL,

Respondent.

DIVISION OF ENFORCEMENT'S MOTION FOR ENTRY OF DEFAULT JUDGMENT AND REMEDIAL SANCTIONS

OS Received 05/16/2022

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Pursuant to the April 4, 2022, Order to Show Cause in this matter, Investment Advisers Act Release No. 5992 (April 4, 2022), the Division of Enforcement ("Division") submits this motion for default judgment and sanctions against Respondent Reginald B. Ringgold, III ("Ringgold" or "Respondent").

I. INTRODUCTION

Ringgold, 37 years old, is a resident of San Diego, California. From April 2018 until March 2019, Ringgold acted as founder and chief executive officer of Blockvest LLC, a private company formed in Wyoming that purported to provide various crypto-related financial products and services for which it raised funds through the sale of digital tokens known as "BLVs." During this same time frame, Ringgold also controlled various affiliated entities that he founded including Rosegold Investments LLP ("Rosegold") and the Blockchain Exchange Commission ("BEC"). Ringgold has never been registered with the Commission in any capacity, nor has he been associated with any firms in the securities industry. Nevertheless, he has purported to offer investment advisory services through several of the entities he controlled including during the time frame covered by the court's injunction. Between April and October 2018, Respondent both offered—and sold—securities, in the form of BLVs, through materially false statements and other deceptive conduct; and Respondent's securities were not registered, nor subject to any exemption from registration, in violation of Sections 5(a), (c) and 17(a) of the Securities Act of 1933 ("Securities Act") and Section 10(b) of the Securities Exchange Act of 1934 ("Exchange Act") and Rule 10b-5 thereunder.

The instant proceedings were commenced on January 21, 2021, based upon the entry of a final judgment against Ringgold, permanently enjoining him from future violations of Sections 5(a), 5(c), and 17(a) of the Securities Act of 1933 ("Securities Act"), and Section 10(b) of the Securities Exchange Act of 1934 ("Exchange Act") and Rule 10b-5 thereunder, in the civil action entitled *Securities and Exchange Commission v. Blockvest, et al.*, Civil Action Number 18-CV-02287, in the United States District Court for the Southern District of California. *See*

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Order Instituting Administrative Proceedings Pursuant to Section 203(f) of the Investment Advisers Act of 1940 ("OIP") Advisers Act Release No. 5671 (January 21, 2021).

Pursuant to SEC Rule of Practice 141(a)(2)(iii), the OIP was served on Respondent. Ringgold did not file an answer, and thus is in default. Accordingly, the Division moves, pursuant to Rules 155(a)(2) and 220(f) of the SEC's Rules of Practice, for a finding that Ringgold is in default and for the imposition of remedial sanctions. The Division specifically requests that the Commission issue an order barring Ringgold from being associated with an investment adviser, broker, dealer, municipal securities dealer, municipal advisor, transfer agent, or nationally recognized statistical rating organization.

II. FACTS

A. Respondent

From April 2018 until March 2019, Ringgold acted as founder and chief executive officer of Blockvest LLC, a private company formed in Wyoming that purported to provide various crypto-related financial products and services for which it raised funds through the sale of digital tokens known as "BLVs." Declaration of Daniel Blau ("Blau Decl.") ¶ 2, Ex. 1 (OIP at ¶ A.1). During this same time frame, Ringgold also controlled various affiliated entities that he founded including Rosegold Investments LLP ("Rosegold") and the Blockchain Exchange Commission ("BEC"). *Id.* Ringgold has never been registered with the Commission in any capacity, nor has he been associated with any firms in the securities industry. *Id*. Nevertheless, he has purported to offer investment advisory services through several of the entities he controlled including during the time frame covered by the court's injunction. *Id*. In particular, Ringgold through Rosegold advised clients concerning investments in crypto asset securities, including offering and selling BLVs to at least 16 Rosegold clients. *Id*. In addition, Ringgold through Blockvest purported to offer BLV tokenholders an "Analytical and Management Interface," through which tokenholders would receive "investment portfolio structuring and management" services. *Id*.

In the course of litigating the district court action, Respondent filed fraudulent declarations with the Court. Blau Decl. ¶ 3, Ex. 2 (Final Judgment at p. 3). The Court concluded

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that "Ringgold willfully deceived the Court in defending against the SEC allegations. The deception, which began shortly after this litigation commenced in 2018, . . . resulted in the abuse and corruption of the judicial process." Blau Decl. ¶ 4, Ex. 3 (Order Adopting Report and Recommendation at p. 17). Consequently, the Court imposed terminating sanctions against Ringgold. Blau Decl., Ex. 3 (Order Adopting Report and Recommendation); Ex. 2 (Final Judgment).

B. Entry of the Injunction

On December 15, 2020, a final judgment was entered against Ringgold, permanently enjoining him from future violations of Sections 5 and 17(a) of the Securities Act and Section 10(b) of the Exchange Act and Rule 10b-5 thereunder in the civil action entitled *Securities and Exchange Commission v. Blockvest, et al.*, Civil Action Number 18-CV-02287, in the United States District Court for the Southern District of California. *Id*., ¶ 2, Ex. 1 (OIP at ¶ B.2); ¶ 3, Ex. 2.

The Commission's complaint alleged the fraudulent offer and sale of unregistered securities by Blockvest and Ringgold. *Id*., Ex. 1 (OIP at ¶ B.3). According to the complaint, between April 2018 and October 2018, Blockvest and Ringgold solicited investors, including Rosegold clients, for a planned $100 million initial coin offering ("ICO") of BLV tokens, scheduled for December 2018. Blockvest and Ringgold promoted the ICO, and engaged in pre-ICO sales, through a series of misrepresentations and deceptive conduct designed to create the impression that government regulators had "approved" Blockvest's offering or its planned financial products, including using the SEC seal in their promotional materials and creating a fictitious regulatory agency, the BEC. *Id*.

C. Ringgold is in Default

The instant proceedings were commenced on January 21, 2021, based upon the entry of a final judgment against Ringgold, permanently enjoining him from future violations of Sections

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5(a), 5(c), and 17(a) of the Securities Act, and Section 10(b) of the Exchange Act and Rule 10b-5 thereunder, in the civil action entitled *Securities and Exchange Commission v. Blockvest, et al.*, Civil Action Number 18-CV-02287, in the United States District Court for the Southern District of California. *Id.* (OIP at ¶ B.2).

The OIP was served on Respondent by personally serving the co-resident/co-occupant of Mr. Ringgold, under Commission Rule of Practice Rule 201.141(a)(2)(i). Blau Decl., ¶ 5, Ex. 4. Respondent did not appear or respond to the OIP. Blau Decl., ¶ 7.

On April 4, 2022, the Commission issued an Order to Show Cause ("OSC") ordering Ringgold, by April 18, 2022, to show cause why he should not be deemed to be in default and why this proceeding should not be determined against him due to his failure to file an answer and to otherwise defend this proceeding, Advisers Act Release No. 5992 (April 4, 2022). Blau Decl. ¶ 6, Ex. 5. The OSC further directed that if Ringgold failed to file a response, the Division should file a motion for entry of an order of default and the imposition of remedial sanctions by May 16, 2022. *Id.* Ringgold did not appear or respond to the OSC. Blau Decl. ¶ 8.

III. ARGUMENT

A. Ringgold is in Default and the Allegations of the OIP may be Deemed to be True

Because Ringgold has not responded to the OIP, he is in default. Rule 155(a) of the SEC's Rules of Practice states:

> A party to a proceeding may be deemed to be in default and the Commission or the hearing officer may determine the proceeding against the party upon consideration of the record, including the order instituting proceedings, the allegations of which may be deemed to be true, if that party fails: . . .
> (2) To answer, to respond to a dispositive motion within the time provided, or otherwise to defend the proceeding . . . .

17 CFR § 201.155(a). Moreover, the OIP itself provides: "If Respondent fails to file the directed answer . . . . the Respondent may be deemed in default and the proceedings may be determined

against him upon consideration of this Order, the allegations of which may be deemed to be true . . . ." Blau Decl. Ex. 1 (OIP at p. 3).

The Commission has already made findings that Ringgold was properly served with the OIP, and has failed to answer. *See* OSC, Advisers Act Release No. 5992 (April 4, 2022). Under Rule 155(a), the allegations of the OIP may thus be deemed to be true and the Commission may determine the proceedings against the party upon consideration of the record, including the OIP. 17 CFR § 201.155(a).

B. The Findings in the Underlying Case Are Binding on Respondent

Where, as here, facts have been litigated and determined in an earlier judicial proceeding, those facts may not be revisited in a subsequent administrative proceeding. *See Peter J. Eichler, Jr.*, Initial Dec. Rel. No. 1032, 2016 WL 4035559 (July 8, 2016) ("It is well-established that the Commission does not permit a respondent to relitigate issues that were addressed in a previous civil proceeding against the respondent, whether resolved by summary judgment, by consent, or after a trial") (collecting cases); *accord Robert Burton*, Initial Dec. Rel. No. 1014, 2016 WL 3030850 (May 27, 2016); *James E. Franklin*, Exchange Act Rel. No. 56649 (Oct. 12, 2007), 91 S.E.C. Docket 2708, 2713 & n.13, 2007 WL 2974200, *petition for review denied*, 285 F. App'x 761 (D.C. Cir. 2008); *In the Matter of Gunderson*, Exchange Act Release No. 61234, 2009 SEC LEXIS 4322, *15-16 (Dec. 23, 2009). This is also true where the underlying judgment was imposed as a sanction for discovery misconduct. *See In the Matter of Batterman*, Initial Dec. Rel. No. 246, 2004 WL 2387487, at *7 (Feb. 12, 2004) ("Courts have also given collateral estoppel effect to default judgments when the defaults are entered after participation, as is the case with a discovery sanction.").

C. Imposition of a Permanent Bar Is Warranted

Based on the record here and in the underlying action, the Division respectfully requests that sanctions be imposed under Section 203(f) of the Investment Advisers Act of 1940 ("Advisers Act"). That section provides in relevant part:

> The Commission, by order, shall censure or place limitations on the activities of any person associated, seeking to become associated, or, at the time of the alleged misconduct, associated or seeking to become associated with an investment adviser, or suspend for a period not exceeding 12 months or bar any such person from being associated with an investment adviser, broker, dealer, municipal securities dealer, municipal advisor, transfer agent, or nationally recognized statistical rating organization, if the Commission finds, on the record after notice and opportunity for hearing, that such censure, placing of limitations, suspension, or bar is in the public interest and that such person . . . is enjoined from any action, conduct, or practice specified in paragraph (4) of subsection (e).

Thus, Section 203(f) authorizes the Commission to impose an associational bar against a respondent if: (1) at the time of the alleged misconduct, he was associated with an investment adviser; (2) he is enjoined from any action, conduct or practice specified in Section 203(e)(4); and (3) a bar is in the public interest. Each of these factors is easily met here.

1. At the Time of the Misconduct, Respondent was Associated with an Investment Adviser

As to the first factor, Ringgold purported to offer investment advisory services through several of the entities he controlled including during the time frame covered by the court's injunction. Blau Decl., Ex. 1 (OIP at ¶ A.1). In particular, Ringgold through Rosegold advised clients concerning investments in crypto asset securities, including offering and selling BLVs to at least 16 Rosegold clients. *Id*. In addition, Ringgold through Blockvest purported to offer BLV tokenholders an "Analytical and Management Interface," through which tokenholders would receive "investment portfolio structuring and management" services. *Id*.

The fact that Ringgold was an unregistered investment adviser does not moot this proceeding against him. The Commission has authority to bar persons from association with registered or unregistered investment advisers or otherwise sanction them under Section 203 of the Advisers Act. *See Teicher v. SEC*, 177 F.3d 1016, 1017-18 (D.C. Cir. 1999); *In the Matter of Jorge Gomez*, Investment Advisers Release No. 3572 (Mar. 28, 2013), 2013 WL 1282136

(permanently barring unregistered investment adviser).

2. The District Court Enjoined Ringgold against Violations of the Securities Laws

The second element under Section 203(f) is also established by the record in the underlying district court action, because Respondent was enjoined from conduct specified in Section 203(e)(4). Ringgold is permanently enjoined from engaging in or continuing certain conduct or practices in connection with acting as an investment adviser, and in connection with the purchase or sale of securities. Specifically, the district court permanently enjoined Respondent from violating Sections 5(a), 5(c), and 17(a) of the Securities Act and Section 10(b) of the Exchange Act and Rule 10b-5 thereunder for conduct in connection with his activity as an investment adviser. *See* Blau Decl., Ex. 1 (OIP at ¶ B.2).

3. A Bar is in the Public Interest

Finally, the record establishes that a bar is in the public interest. In determining whether an administrative sanction is in the public interest, the Commission considers a number of factors, including (1) the egregiousness of the respondent's actions; (2) the isolated or recurrent nature of the infraction; (3) the degree of scienter involved; (3) the sincerity of the respondent's assurances against future violations; (4) recognition of wrongful conduct; and (5) the likelihood that the respondent's occupation will present future opportunities for violations. *See Steadman v. SEC,* 603 F.2d 1126, 1140 (5th Cir. 1979), *aff'd on other grounds*, 450 U.S. 81 (1981); *Lonny S. Bernath*, Initial Dec. Rel. No. 993 at 4, 2016 SEC LEXIS 1222 *10-11 (Apr. 4, 2016) (*Steadman* factors used to determine whether a bar is in the public interest). The district court found that all of these factors weighed in favor a permanent injunction against Ringgold. Blau Decl. Ex. 2 (Final Judgment at 6).

As to whether a bar is appropriate in a follow-on proceeding, "[t]he existence of an injunction can, in the first instance, indicate the appropriateness in the public interest of a

suspension or bar from participation in the securities industry*." Michael V. Lipkin and Joshua Shainberg*, Initial Dec. Rel. No. 317, 88 SEC Docket 2346, 2006 WL 2422652, at *4 (Aug. 21, 2006), *notice of finality*, 88 S.E.C. Docket 2872, 2006 WL 2668516 (Sept. 15, 2006).

a. Respondent's violations were egregious, intentional and recurrent

The first three *Steadman* factors are met here. As previously noted, in the underlying district court action, the Court found that Ringgold violated the law and that his conduct was "willful and in bad faith." Blau Decl. Ex. 2 (Final Judgment at p. 5). Further, during the litigation, "the Court found that Ringgold fabricated evidence, suborned perjury and coached witnesses to lie regarding material issues in the case." *Id.* In sum, the egregiousness and extent of Respondent's conduct clearly favor a bar under *Steadman*.

b. The remaining *Steadman* factors also favor a bar

The remaining Steadman factors also favor a bar. To begin, the Court specifically found that "[d]espite [his[misconduct, [Ringgold] continued to deny responsibility and deflected blame to others, such as the SEC." *Id*. Respondent has also failed to appear and provide any assurance against future violations or recognition of his wrongful conduct. Blau Decl. ¶¶ 7, 8. The "absence of recognition by [a respondent] of the wrongful nature of his conduct" favors a permanent bar. *Jonathan D. Havey, CPA*, Initial Dec. Rel. No. 959, 2016 SEC LEXIS 522, at *11 (Feb. 11, 2016) (granting permanent bar on motion for summary disposition in follow-on proceeding to criminal conviction); *Siming Yang*, Initial Dec. Rel. No. 788, 2015 SEC LEXIS 1735, at *10 (May 6, 2015) (noting, as part of grant of summary disposition and imposing of permanent bar in follow on proceeding to civil injunction, that, "[c]onsistent with a vigorous defense of the charges, [respondent] ha[d] not recognized the wrongful nature of his conduct"); *Delsa U. Thomas and The D. Christopher Capital Management Group, LLC*, Initial Dec. Rel. No. 205, 2014 SEC LEXIS 4181, at 24 (Nov. 4, 2014) (imposing permanent bar and revoking adviser's registration on summary disposition following civil fraud injunction, noting that "Respondents do not recognize the wrongful nature of their conduct. Instead, they deny any culpability, insist

that none of their conduct was inappropriate, and accuse the Commission and the Commission's witnesses of bias or lying"); *Terrence O'Donnell*, Initial Dec. Rel. No. 334, 2007 SEC LEXIS 2148, at *14 (Sept. 20, 2007) (weighing in favor of bar respondent's "protest" that the securities laws were not sufficiently clear, finding this "evidence that [respondent] still seeks to minimize his misconduct"); *Steadman*, 603 F.2d at 1140.

The final *Steadman* factor considers "the likelihood that the respondent's occupation will present future opportunities for violations." Although the Division lacks evidence of Ringgold's current employment, the other *Steadman* factors strongly favor the imposition of the bar, which is in the public's interest. As stated by the District Court, "In assessing the totality of the circumstances where [Ringgold] committed securities fraud with a high degree of scienter, fabricated evidence, suborned perjury and coached witnesses to lie, where Ringgold has never recognized the wrongful nature of his conduct and has not provided any assurances that future violations will not recur, the Court concludes that there is a reasonably likelihood that Defendants will continue to violate securities laws" absent the relief sought. Blau Decl. Ex. 2 (Final Judgment at p. 6).

IV. CONCLUSION

For the foregoing reasons, the Division respectfully requests that Respondent be barred from being associated with a broker, dealer, investment adviser, municipal securities dealer, municipal advisor, transfer agent, or nationally recognized statistical rating organization.

May 16, 2022

Respectfully submitted,

DOB

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In the Matter of Reginald B. Ringgold, III,
Administrative Proceeding File No. 3-20208
SERVICE LIST

Pursuant to Commission Rule of Practice 151 (17 C.F.R. §201.151), I certify that the attached:

DIVISION OF ENFORCEMENT'S MOTION FOR ENTRY OF DEFAULT JUDGMENT AND REMEDIAL SANCTIONS

was served on May 16, 2022, upon the following parties:

Vanessa Countryman, Secretary (By eFAP only)
Securities and Exchange Commission
100 F. Street, N.E., Mail Stop 1090
Washington, DC 20549-1090

Reginald B. Ringgold III (By UPS Overnight)
[redacted]
(Respondent)

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