UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES ACT OF 1933
Release No. 10543 / September 11, 2018

SECURITIES EXCHANGE ACT OF 1934
Release No. 84075 / September 11, 2018

INVESTMENT COMPANY ACT OF 1940
Release No. 33221 / September 11, 2018

ADMINISTRATIVE PROCEEDING
File No. 3-18739

In the Matter of **TOKENLOT, LLC,** **LENNY KUGEL,** **AND** **ELI L. LEWITT,** **Respondents.**	**ORDER INSTITUTING ADMINISTRATIVE AND CEASE-AND-DESIST PROCEEDINGS, PURSUANT TO SECTION 8A OF THE SECURITIES ACT OF 1933, SECTIONS 15(b) AND 21C OF THE SECURITIES EXCHANGE ACT OF 1934, AND SECTION 9(b) OF THE INVESTMENT COMPANY ACT OF 1940, MAKING FINDINGS, AND IMPOSING REMEDIAL SANCTIONS AND A CEASE-AND-DESIST ORDER**

I.

The Securities and Exchange Commission ("Commission") deems it appropriate and in the public interest that public administrative and cease-and-desist proceedings be, and hereby are, instituted pursuant to Section 8A of the Securities Act of 1933 ("Securities Act"), Sections 15(b) and 21C of the Securities Exchange Act of 1934 ("Exchange Act"), and Section 9(b) of the Investment Company Act of 1940 ("Investment Company Act") against TokenLot LLC ("TokenLot"), Lenny Kugel ("Kugel"), and Eli L. Lewitt ("Lewitt") (collectively, "Respondents").

II.

In anticipation of the institution of these proceedings, Respondents have submitted Offers of Settlement ("Offers") that 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 them and the subject matter of these proceedings, which are admitted, and except as provided herein in Section V, Respondents consent to the entry of this Order Instituting Administrative and Cease-And-Desist Proceedings Pursuant to Section 8A of the Securities Act, Sections 15(b) and 21C of the Exchange Act, and Section 9(b) of the Investment Company Act, 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 the Respondents' Offers, the Commission finds that:

Summary

1. This proceeding concerns TokenLot, an unregistered broker-dealer operated by Kugel and Lewitt from July 2017 through late February 2018 ("Relevant Period"). Respondents advertised and sold securities, in the form of digital tokens, to retail investors using TokenLot's website platform (www.tokenlot.com). Respondents solicited investors, took thousands of customer orders for digital tokens, processed investor funds, and handled more than 200 different digital tokens in connection with both initial coin offerings ("ICOs") conducted by other entities and TokenLot's secondary market activities.[1] Respondents, through TokenLot, received more than 5,800 investor purchase orders for nine digital tokens connected with ICOs, of which approximately 2,100 were executed. In addition, Respondents, through TokenLot, sold another approximately 145 digital tokens in secondary market trading, which resulted in the execution of more than 1,650 purchase orders from investors. Respondents also promoted the sale of approximately 40 digital tokens in exchange for marketing fees paid by digital token issuers. In exchange for these activities, Respondents received approximately $471,000 total in compensation.

2. Through these activities, Respondents promoted and sold digital tokens that included securities under Section 2(a)(1) of the Securities Act and Section 3(a)(10) of the Exchange Act. *See Report of Investigation Pursuant to Section 21(a) of the Securities Exchange Act of 1934: The DAO* (Exchange Act Rel. No. 34-81207) (July 25, 2017). Because the digital tokens issued in the ICOs and traded by Respondents included securities, the Respondents' activities required broker-dealer registration with the Commission. By effecting unregistered securities transactions as unregistered broker-dealers, Respondents violated Section 15(a) of the Exchange Act and Sections 5(a) and (c) of the Securities Act.

[1] ICOs are fundraising events in which an entity offers participants a digital asset, typically referred to as a "coin" or "token," in exchange for consideration, often in the form of other digital assets such as Bitcoin and Ether, or fiat currency. Following an ICO, the digital tokens often are immediately tradeable in secondary markets.

Respondents

3. TokenLot is a privately-owned Birmingham, Michigan-based limited liability company, which incorporated in Michigan on June 28, 2017. TokenLot operated a website platform through which the company marketed and sold digital tokens to investors. Kugel and Lewitt own and operate the company. TokenLot has never been registered with the Commission in any capacity. TokenLot voluntarily ceased accepting and executing purchase orders for digital tokens in late February 2018 after being contacted by Commission staff.

4. Kugel, age 28, resides in Farmington Hills, Michigan. Kugel has never held any securities licenses and has never been registered with the Commission in any capacity.

5. Lewitt, age 27, resides in Chicago, Illinois. Lewitt has never held any securities licenses and has never been registered with the Commission in any capacity.

Facts

6. In July 2017, Kugel and Lewitt launched the TokenLot website platform to sell digital tokens to retail investors. TokenLot called itself an "ICO Superstore," where investors of "all experience levels" could purchase digital tokens during or after an ICO, including in "private sales" and "pre-sales."[2] TokenLot's business primarily consisted of selling digital tokens in connection with both ICOs of other entities and secondary market trading, and marketing digital tokens on behalf of issuers. In total, more than 6,100 individual investors placed more than 8,400 digital token purchase orders on the TokenLot platform. These investors were located in the United States and abroad.

A. TokenLot, Kugel, and Lewitt Solicited Investors

7. Respondents actively and broadly solicited the general public to use the TokenLot platform to purchase digital tokens. During the Relevant Period, Respondents advertised digital tokens available for purchase on TokenLot's website through social media postings and forums, emailed newsletters, various websites dedicated to digital assets, and paid internet advertising, among other means. This included both digital tokens being sold through ICOs, as well as other digital tokens that Respondents, through TokenLot, had purchased for the purpose of selling after the ICOs were completed.

8. Respondents also received payment from digital token issuers to promote the issuers' tokens being sold. Respondents promoted the sale of approximately 40 digital tokens to investors in exchange for approximately $127,000 in marketing fees paid by digital token issuers.

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[2] Often, ICO issuers sell digital tokens in various selling stages before the tokens are distributed to purchasers. Issuers sometimes call the earlier selling stages a "private sale" or "pre-sale" and later stages a "public sale." "Private sales" or "pre-sales" typically involve a time-limited sale of a certain number of digital tokens at a discount to the fixed-price set for the digital token during a "public sale," with the delivery of the token to the purchaser to be made in the future, typically in connection with the conclusion of the ICO.

Under these arrangements, they advertised and promoted digital tokens to potential investors, including retail investors, through TokenLot's website, various social media platforms and forums, and emailed newsletters, among other means.

9. TokenLot's website enabled investors to review marketing information about various digital tokens it made available for sale in connection with ongoing ICOs and secondary market trading. The marketing information often included digital token descriptions authored by Respondents and the issuers' white papers.[3]

B. TokenLot, Kugel, and Lewitt Facilitated Initial Securities Offerings and Transactions in Secondary Trading

10. Respondents facilitated the sales of certain digital tokens during those tokens' ICOs. In addition, they sold other digital tokens in secondary trading that occurred after those tokens' initial offering periods had ended.

11. In connection with both ICOs and secondary trading, Respondents acted as brokers or dealers in handling investor purchase orders. TokenLot's website included a feature through which investors placed orders to buy specific digital tokens that TokenLot made available for sale. Investors paid for the digital tokens using other digital assets, such as Bitcoin and Ether. Investors submitted purchase orders by completing an online form to indicate, among other things, the number and type of digital tokens to be purchased, the amount and type of digital assets for payment, and the digital address where purchased digital tokens should be sent. Upon submission of orders to the TokenLot platform, investor funds were transmitted to digital asset wallets controlled by or maintained for the benefit of Respondents. After Respondents received an investor's payment, either the issuer (for an ICO) or Respondents (for secondary market sales) transferred the purchased digital tokens to the investor.

12. During the Relevant Period, Respondents acted as brokers by facilitating the sales of a total of nine digital tokens as part of ICOs.[4] Their brokerage activities included marketing the digital tokens and accepting investors' orders and funds for payment, as well as assisting investors to facilitate securities transactions. Additionally, Respondents worked with issuers to transfer purchased digital tokens to investors once TokenLot received their payments. After confirming that investors had received the digital tokens, Respondents then disbursed the proceeds of the sales to the issuer. As part of these ICOs, Respondents received more than 5,800 investor purchase orders for the digital tokens, of which approximately 2,100 were executed. Respondents earned transaction-based compensation of approximately $112,000 based upon the percentage of the proceeds raised in the ICOs they handled, subject to a guaranteed minimum commission.

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[3] In connection with ICOs, issuers often release a "white paper" describing the particular project they seek to fund and the terms of the ICO.

[4] Three of the ICOs facilitated by Respondents were not completed. The issuers did not issue digital tokens, and Respondents refunded investors' payments.

13. During the Relevant Period, Respondents also sold the digital tokens of approximately 145 different issuers after those issuers' ICOs had occurred. In connection with these secondary market sales, Respondents acted as dealers by regularly purchasing digital tokens for accounts in TokenLot's name that were controlled by Kugel and Lewitt. These purchases often occurred at a discount during the digital token's ICO, and Respondents then immediately sold the digital tokens to investors at a profit or held the tokens in inventory to sell later. For some of these secondary market sales, based upon a pre-arrangement with the issuer, Respondents accepted investors' orders placed on the TokenLot platform and then forwarded the orders to the issuer to fulfill with the issuer's unsold digital tokens from an earlier ICO. Respondents received compensation from the issuers under these pre-arrangements. For the secondary market sales, Respondents received profits of approximately $232,000 from more than 1,650 purchase orders that it executed.

Violations

14. As a result of the conduct described above, Respondents willfully violated:

a. Section 15(a) of the Exchange Act, which provides that, absent an exception or exemption, it is unlawful for any broker or dealer "to make use of the mails or any means or instrumentality of interstate commerce to effect any transactions in, or to induce or attempt to induce the purchase or sale, of any security . . . unless such broker or dealer is registered in accordance" with Section 15(b) of the Exchange Act. Section 3(a)(4) of the Exchange Act generally defines a "broker" to mean any person, including a company, engaged in the business of effecting transactions in securities for the account of others. Section 3(a)(5) of the Exchange Act generally defines a "dealer" to mean any person, including a company, engaged in the business of buying and selling securities for such person's own account through a broker or otherwise.

b. 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 any 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.

Respondents' Remedial Efforts

15. In determining to accept the Offers, including the decision not to impose greater penalties, the Commission considered remedial acts promptly undertaken by Respondents and cooperation afforded the Commission staff. Beginning in February 2018, in response to the Commission staff's investigation, Respondents voluntarily stopped accepting new purchase orders for digital tokens, stopped selling digital tokens on behalf of ICO issuers, and took steps to begin winding down the TokenLot business. Respondents also alerted the Commission staff to a pending ICO and worked with the issuer to develop and execute a plan to refund the ICO's proceeds to investors before digital tokens were distributed. Respondents further are in the process of refunding investors' payments for certain secondary market sales orders which they had not yet filled.

Undertakings

16. Respondents have undertaken to do the following:

A. Retain at their own expense a qualified independent intermediary (the "Independent Intermediary") not unacceptable to the Commission staff and require the Independent Intermediary to:

1. Take possession of all remaining digital tokens in TokenLot's inventory ("Current Inventory");

2. Take possession of all digital tokens that TokenLot has paid for but not yet received ("Pending Inventory");

3. Destroy the digital tokens in the Current Inventory within 30 days of the date of this Order and Pending Inventory within 30 days of receipt by TokenLot; and

4. Provide the Commission staff with written documentation that demonstrates the completion of the steps of Paragraphs 16.A.1 – .3 above.

B. Provide a copy of the engagement letter within fourteen (14) days of the date of this Order detailing the Independent Intermediary's responsibilities to the Commission staff.

C. Cooperate fully with the Independent Intermediary, including providing the Independent Intermediary with access to Respondents' files, books, records, digital wallets, digital wallet addresses or other accounts, and personnel, as reasonably requested for the above-mentioned actions, and obtaining the cooperation of respective agents or other persons under Respondents' control. Respondents shall require the Independent Intermediary to report to the Commission staff on their activities as the staff may request.

D. Permit the Independent Intermediary to engage such assistance, clerical, legal, or expert, as necessary, and at a reasonable cost, to carry out their activities, and the cost, if any, of such assistance shall be borne exclusively by Respondents.

E. Require the Independent Intermediary within fourteen (14) days of being retained, unless otherwise extended by the Commission staff for good cause, to provide Respondents and the Commission staff with (1) a list of the Current Inventory and Pending Inventory of to-be-destroyed digital tokens, subject to approval of the Commission staff; and (2) an estimate of the time needed to complete the steps of Paragraphs 16.A.1 – .4 and provide the proposed documentation.

F. Require the Independent Intermediary to provide the documentation by the agreed deadline solely to the Commission staff.

G. Require the Independent Intermediary to certify, in writing, to Respondents and the Commission staff, that the steps of Paragraphs 16.A.1 – .4 have been completed within fourteen (14) days of the steps' completion.

H. To ensure the independence of the Independent Intermediary, Respondents shall not have the authority to terminate the Independent Intermediary without prior written approval of the Commission staff and shall compensate the Independent Intermediary and persons engaged to assist the Independent Intermediary for services rendered pursuant to this Order at their reasonable and customary rates.

I. Require the Independent Intermediary to enter into an agreement that provides for the period of engagement and for a period of two years from the completion of the engagement, that the Independent Intermediary shall not enter into any employment, consultant, attorney-client, auditing, or other professional relationship with Respondents, or any of their present or former affiliates, directors, officers, employees, or agents acting in their capacity. The agreement will also provide that the Independent Intermediary will require that any firm with which he/she/it is affiliated or of which he/she/it is a member, and any person engaged to assist the Independent Intermediary in performance of his/her/its duties under this Order shall not, without prior written consent of the Commission staff, enter into any employment, consultant, attorney-client, auditing, or other professional relationship with Respondents, or any of their present or former affiliates, directors, officers, employees, or agents acting in their capacity as such for the period of the engagement and for a period of two years after the engagement.

J. Respondents may apply to the Commission staff for an extension of the deadlines described above before their expiration and, upon a showing of good cause by Respondents, the Commission staff may, in its sole discretion, grant such extensions for whatever time period it deems appropriate.

K. Certification of Compliance by Respondents: Respondents shall certify, in writing, compliance with the undertakings set forth above. The certification shall identify the undertakings, provide written evidence of compliance in the form of a narrative, and be supported by exhibits sufficient to demonstrate compliance. The Commission staff may make reasonable requests for further evidence of compliance, and Respondents agree to provide such evidence. The certification and supporting material shall be submitted to Robert A. Cohen, Chief, Cyber Unit, Division of Enforcement, with a copy to the Office of Chief Counsel of the Enforcement Division, no later than sixty (60) days from the date of the completion of the undertakings.

IV.

In view of the foregoing, the Commission deems it appropriate, in the public interest, to impose the sanctions agreed to in the Respondents' Offers.

Accordingly, pursuant to Section 8A of the Securities Act, Sections 15(b) and 21C of the Exchange Act, and Section 9(b) of the Investment Company Act, it is hereby ORDERED that:

A. Respondents TokenLot, Kugel, and Lewitt cease and desist from committing or causing any violations and any future violations of Section 15(a) of the Exchange Act and Sections 5(a) and (c) of the Securities Act.

B. Respondents Kugel and Lewitt be, and hereby are:

barred from association with any broker, dealer, investment adviser, municipal securities dealer, municipal advisor, transfer agent, or nationally recognized statistical rating organization;

prohibited from serving or acting as an employee, officer, director, member of an advisory board, investment adviser or depositor of, or principal underwriter for, a registered investment company or affiliated person of such investment adviser, depositor, or principal underwriter; and

barred from participating in any offering of a penny stock, including: acting as a promoter, finder, consultant, agent or other person who engages in activities with a broker, dealer or issuer for purposes of the issuance or trading in any penny stock, or inducing or attempting to induce the purchase or sale of any penny stock;

with the right to apply for reentry after three (3) years to the appropriate self-regulatory organization, or if there is none, to the Commission.

C. Any reapplication for association by a Respondent will be subject to the applicable laws and regulations governing the reentry process, and reentry may be conditioned upon a number of factors, including, but not limited to, the satisfaction of any or all of the following: (a) any disgorgement ordered against the Respondent, whether or not the Commission has fully or partially waived payment of such disgorgement; (b) any arbitration award related to the conduct that served as the basis for the Commission order; (c) any self-regulatory organization arbitration award to a customer, whether or not related to the conduct that served as the basis for the Commission order; and (d) any restitution order by a self-regulatory organization, whether or not related to the conduct that served as the basis for the Commission order.

D. Respondents TokenLot, Kugel, and Lewitt shall pay, jointly and severally, disgorgement of $471,000 and prejudgment interest of $7,929 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). Payment shall be made in the following installments: (1) $119,732.25 shall be paid within 10 days of the entry of this Order; (2) $119,732.25 shall be paid within 120 days of the entry of this Order; (3) $119,732.25 shall be paid within 240 days of the entry of this Order; and (4) $119,732.25 shall be paid within 360 days of the entry of this Order. If any payment is not made by the date the payment is required by this Order, the entire outstanding balance of $478,929, plus any interest accrued pursuant to SEC Rule of Practice 600 shall be due and payable immediately, without further application.

E. Respondent Kugel shall, within 10 days of the entry of this Order, pay a civil money penalty in the amount of $45,000 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.

F. Respondent Lewitt shall, within 10 days of the entry of this Order, pay a civil money penalty in the amount of $45,000 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.

G. Payments under this Order 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

Payments by check or money order must be accompanied by a cover letter identifying Respondents TokenLot, Kugel, and Lewitt as Respondents 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 Robert A. Cohen, Chief, Cyber Unit, Division of Enforcement, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549.

H. 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, Respondents agree that in any Related Investor Action, they shall not argue that they are entitled to, nor shall they benefit by, offset or reduction of any award of compensatory damages by the amount of any part of Respondents' payment of a civil penalty in this action ("Penalty Offset"). If the court in any Related Investor Action grants such a Penalty Offset, Respondents agree that they 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 Respondents 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.

I. Respondents acknowledge that the Commission is not imposing civil penalties in excess of $45,000 for Respondents Kugel and Lewitt based upon their cooperation in a Commission investigation. If at any time following the entry of the Order, the Division of Enforcement ("Division") obtains information indicating that Respondents knowingly provided materially false or misleading information or materials to the Commission, or in a related proceeding, the Division may, at its sole discretion and with prior notice to Respondents, petition the Commission to reopen this matter and seek an order directing that Respondents pay an additional civil penalty. Respondents may contest by way of defense in any resulting administrative proceeding whether they knowingly provided materially false or misleading information, but may not: (1) contest the findings in the Order; or (2) assert any defense to liability or remedy, including, but not limited to, any statute of limitations defense.

J. Respondents shall comply with the undertakings enumerated in Paragraph 16 above.

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 Respondents Kugel and Lewitt, and further, any debt for disgorgement, prejudgment interest, civil penalty or other amounts due by Respondents Kugel and Lewitt 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 Respondents Kugel and Lewitt 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.

Brent J. Fields
Secretary