UNITED STATES OF AMERICA
before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES ACT OF 1933
Release No. 10909 / December 21, 2020

ADMINISTRATIVE PROCEEDING
File No. 3-20185

In the Matter of **ShipChain, Inc.,** **Respondent.**	**ORDER INSTITUTING CEASE-AND-DESIST PROCEEDINGS PURSUANT TO SECTION 8A OF THE SECURITIES ACT OF 1933, MAKING FINDINGS, AND IMPOSING PENALTIES 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 ShipChain, Inc. ("ShipChain" or "Respondent").

II.

In anticipation of the institution of these proceedings, Respondent has submitted an Offer of Settlement ("Offer") 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 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 Penalties 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 that:

Summary

ShipChain, a company involved in the shipping and logistics industry, raised approximately $27.6 million by selling more than 145 million digital assets ("SHIP tokens") in an initial coin offering ("ICO") in late-2017 to early-2018. ShipChain told investors that

ShipChain would use the funds raised in the ICO to develop a blockchain platform ("ShipChain's Platform" or the "Platform") and "jumpstart the ShipChain economy and supplement funding to help [ShipChain] deliver the best product possible."

Based on the facts and circumstances set forth below, SHIP tokens were offered and sold as investment contracts, and therefore securities, pursuant to *SEC v. W.J. Howey Co.*, 328 U.S. 293 (1946) and its progeny, including the cases discussed by the Commission in its *Report of Investigation Pursuant to Section 21(a) of the Securities Exchange Act of 1934: The DAO* (Exchange Act Re. No. 81207) (July 25, 2017). A purchaser in the offering of SHIP tokens would have had a reasonable expectation of obtaining a future profit based on ShipChain's representations and efforts to build its business, including through its use of the ICO fund proceeds to develop its platform. ShipChain violated Sections 5(a) and 5(c) of the Securities Act by offering and selling these securities without having a registration statement filed or in effect with the Commission or qualifying for exemption from registration with the Commission.

Respondent

ShipChain, Inc. ("ShipChain") is a Delaware corporation (incorporated November 28, 2017) with its principal place of business in Greenville, South Carolina. ShipChain is a private company engaged in developing a fully-automated, transparent, and verified shipping and logistics tracking, management, and brokerage platform using the Ethereum blockchain technology. Neither ShipChain nor its securities are registered with the Commission in any capacity.

Other Relevant Entity

FC Logistics, LLC d/b/a ShipChain is an Arizona limited liability company that pre-dated ShipChain (organized June 22, 2017) and has been managed by its sole member, ShipChain, since February 13, 2018.

Facts

1. ShipChain was established in 2017 with the mission of solving issues facing the shipping and logistics industry. Specifically, ShipChain sought to develop a fully-automated, transparent, and verified shipping and logistics tracking, management, and brokerage platform using the Ethereum blockchain technology.

2. In order to raise money to fund the development of the Platform, ShipChain offered and sold SHIP tokens in an ICO.

ShipChain Promoted Its Securities Offering

3. Between approximately November 2017 and the beginning of January 2018, ShipChain promoted its company and the SHIP token ICO through various media, including on its website and through blog posts, social media posts, online videos, presentations, and online

discussion boards. ShipChain also posted several versions of a written document, referred to as a "whitepaper," on its website, describing the technology that ShipChain proposed to develop and the SHIP token. In each version of the whitepaper, as well as through articles and other media, ShipChain highlighted the experience and expertise of its team members, in addition to publicizing the names of various "advisors" and describing their advisors' experience in the digital asset and business world.

4. ShipChain publicized the potential impact of its Platform on the transportation and logistics industry, and the necessity of SHIP token ownership to participate in any capacity on the Platform. Among other things, ShipChain engaged in a so-called "bounty campaign," offering SHIP tokens to third parties in exchange for promotion of the company and its ICO through social media and blogging. ShipChain also sought to generate more interest in its SHIP tokens by working to have the tokens traded in the secondary market on digital asset trading platforms. ShipChain also told prospective SHIP token purchasers that it was engaged in such efforts.

Terms of ShipChain's Initial Coin Offering

5. ShipChain first launched its ICO in October 2017, and the ICO continued through January 3, 2018. In what ShipChain referred to as the "Pre-Sale" portion of its offering, ShipChain sold SHIP tokens in exchange for U.S. dollars, Bitcoin, or Ether through purchase agreements ShipChain called either (1) a "Simple Agreement for Future Tokens" or "SAFT," (2) a Token Agreement, or (3) a Token Purchase Agreement. These SHIP tokens were sold at discounts – up to a 100% bonus – relative to the "Regular cost per token." The SHIP tokens sold through these agreements were sold to members of the general public. In total, ShipChain sold approximately 145 million SHIP tokens to over 200 people or groups of people, including U.S. persons, for approximately $27.6 million (comprised of fiat currency and digital assets, such as Bitcoin or Ether, valued at the time of receipt).[1] Although ShipChain contemplated other sales of tokens to the public, tokens were only ever sold through the "Pre-Sale."

The SHIP Token Purchasers Invested Money So That ShipChain Could Fund Its Business

6. In the course of promoting its ICO, ShipChain represented that it was seeking financing to build its product. For example, in each version of its white paper, ShipChain indicated that it would use the proceeds of its ICO "to jumpstart the ShipChain economy and supplement funding to help [] deliver the best possible product." Earlier versions of the white paper detailed ShipChain's "best estimates" for how the company would use the ICO proceeds, including for research, development, marketing and communications, legal services, business development, and operations. Later versions of the white paper removed this detailed information, but still indicated that funds would be used for research and development, operations, and marketing. The SHIP token holders' payments — the approximately $27.6

[1] As part of the same offering, ShipChain distributed approximately 2 million SHIP tokens through an airdrop and approximately 2 million SHIP tokens through bounty campaigns. ShipChain also distributed SHIP tokens to advisors, employees, and its founders.

million invested by token holders who contributed fiat currency and/or digital assets of value during the ICO — was pooled and funded the development of ShipChain's Platform.

The SHIP Token Purchasers Had a Reasonable Expectation of Profits Based on the Efforts of ShipChain

7. SHIP tokens derived their value — and the SHIP token purchasers could reasonably expect a return on their investments — from the efforts of ShipChain to develop its business. ShipChain stated in its white paper, available on its website, that it would "work to enter into listing agreements with exchanges to allow for ease of liquidity and settlement of SHIP tokens into other currencies" and that it planned to have the SHIP token be "omnipresent across popular, high-volume exchanges" by Q1 2018. Also, communications that were shared by ShipChain through social media outlets referred to the fact that ShipChain planned to "disrupt" or "revolutionize" the "multi-billion dollar" or "multi-trillion dollar" freight industry.

8. At the time of the ICO, ShipChain's Platform was not operational. While some limited functions to its Platform did exist at the time of the ICO, namely the ability for users to create a user profile and a smart contract that provided for a "rudimentary tracking system," there was no user interface for the smart contract at that time and users could not engage in any transactions through using the Platform. Also, the SHIP tokens could not be used on the Platform at the time of the ICO. Ultimately, as ShipChain told investors and the general public, it planned to build a Platform, as well as develop relationships and other revenue models, as set forth in its whitepaper.

9. On or around March 2, 2018, ShipChain delivered the SHIP tokens to purchasers. The SHIP tokens could not be meaningfully used or consumed with any ShipChain product at the time of the delivery. Rather, as ShipChain represented on its website, social media, and to the press, funds raised through the ICO would be used for, among other things, future product and technology development.

ShipChain Failed to Register the Offer and Sale of Its Securities

10. ShipChain's offer and sale of SHIP tokens was not registered with the Commission, nor did ShipChain's offer and sale of SHIP tokens satisfy any valid exemption from registration.

Violations

1. As a result of the conduct described above, ShipChain violated Section 5(a) of the Securities Act, which states that unless a registration statement is in effect as to a security, it shall be unlawful for any person, directly or indirectly, to make use of any means or instruments of transportation or communication in interstate commerce or of the mails to sell such security through the use or medium of any prospectus or otherwise; or to carry or cause to be carried through the mails or in interstate commerce, by any means or instruments of transportation, any such security for the purpose of sale or for delivery after sale.

2. Also as a result of the conduct described above, ShipChain violated Section 5(c) of the Securities Act, which states that it shall be unlawful for any person, directly or indirectly, to make use of any means or instruments of transportation or communication in interstate commerce or of the mails to offer to sell or offer to buy through the use or medium of any prospectus or otherwise any security, unless a registration statement has been filed as to such security.

Undertakings

1. Respondent has undertaken to:

   a. Transfer all SHIP tokens in its possession or control, including within the control of the company's directors, to the Fund Administrator (which is referenced in paragraph IV.E. below) within 10 days of receiving notice of the Fund Administrator's appointment, to enable the Fund Administrator to permanently disable such SHIP tokens.

   b. Publish notice of the Order on ShipChain's website and social media channels, in a form not unacceptable to Commission staff, within 10 days of the date of this Order.

   c. Take reasonable steps to convey this Order to digital asset trading platforms that, to its knowledge, offer trading of SHIP tokens and request the removal of SHIP tokens from the platforms, and publish notice of such requests on ShipChain's website and social media channels, in a form not unacceptable to Commission staff, within 10 days of the date of this Order.

2. Respondent 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 Respondent agrees to provide such evidence. The certification and supporting material shall be submitted to Melissa R. Hodgman, Associate Director, Division of Enforcement, with a copy to the Office of Chief Counsel of the Enforcement Division, no later than thirty (30) days from the

date of the completion of the undertakings.

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

4. In determining whether to accept the Offer, the Commission has considered these undertakings, ShipChain's current financial condition, the fact that ShipChain has decided to cease all operations, and that the penalty represents substantially all of ShipChain's net assets.

IV.

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

Accordingly, it is hereby ORDERED, effective immediately, that:

A. Pursuant to Section 8A of the Securities Act, Respondent cease and desist from committing or causing any violations and any future violations of Section 5(a) and (c) of the Securities Act.

B. Respondent shall comply with the undertakings enumerated in Paragraph 1.(a)-(c) above.

C. Respondent shall pay a civil monetary penalty in the amount of $2,050,000 to the Securities and Exchange Commission. Payment shall be made in the following installments: (1) $1,550,000 within 14 days of the entry of this Order; and (2) the remainder within 180 days after the entry of this Order. Payments shall be applied first to post-Order interest, which accrues pursuant to 31 U.S.C. 3717. Prior to making the final payment set forth herein, Respondent shall contact the staff of the Commission for the amount due.

If Respondent fails to make any payment by the date and/or in the amount according to the schedule set forth above, all outstanding payments under this Order, including post-Order interest, minus any payments made, shall become due and payable immediately at the discretion of the staff of the Commission without further application to the Commission.

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

Payments by check or money order must be accompanied by a cover letter identifying ShipChain as a Respondent in this proceeding, and the file number of this proceeding; a copy of the cover letter and check or money order must be sent to Melissa R. Hodgman, Associate Director, Division of Enforcement, Securities and Exchange Commission, 100 F. St. NE, Washington, DC 20549, or such other person or address as the Commission staff may provide.

D. The Division of Enforcement ("Division") may, at any time following the entry of this Order, petition the Commission to: (1) reopen this matter to consider whether Respondent provided accurate and complete financial information at the time such representations were made; and (2) seek an order directing payment of the maximum civil penalty allowable under the law. No other issue shall be considered in connection with this petition other than whether the financial information provided by Respondent was fraudulent, misleading, inaccurate, or incomplete in any material respect. Respondent may not, by way of defense to any such petition: (1) contest the findings in this Order; (2) assert that payment of a penalty should not be ordered; (3) contest the imposition of the maximum penalty allowable under the law; or (4) assert any defense to liability or remedy, including, but not limited to, any statute of limitations defense.

E. Pursuant to Section 308(a) of the Sarbanes-Oxley Act of 2002, as amended by the Dodd-Frank Act of 2010 [15 U.S.C. § 7246(a)], a Fair Fund is created for the penalty referenced in paragraph IV.C. above. The Commission will appoint a Fund Administrator who will develop a distribution plan (the "Plan") and administer the Plan in accordance with the Commission Rules on Fair Fund and Disgorgement Plans. The Fair Fund shall be used to compensate harmed investors for losses resulting from the violations determined herein. Any amount remaining in the Fair Fund after all distributions have been made shall be transmitted to the U.S. Treasury.

F. 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.

Vanessa A. Countryman
Secretary