UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES ACT OF 1933
Release No. 10865 / September 30, 2020

ADMINISTRATIVE PROCEEDING
File No. 3-20106

In the Matter of **Salt Blockchain Inc.,** **f/k/a Salt Lending Holdings, 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 Salt Blockchain Inc., f/k/a Salt Lending Holdings, Inc. ("Salt" or "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 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

Salt formed in 2016 with plans to offer United States dollar-denominated loans secured by blockchain assets. Starting in June 2017, Salt conducted a "membership token sale" or "initial coin offering" ("ICO"), in which it offered and sold digital tokens ("Salt Tokens") that were issued on a blockchain, or distributed ledger. In offering documents, Salt explained how Salt Tokens would later increase in value as a result of Salt's efforts to develop the lending business. Salt also took steps to ensure that Salt Tokens would be traded on secondary trading platforms at the conclusion of the ICO. Through the ICO, which ended in December 2017, Salt raised approximately $47 million for the purpose of developing its lending business.

Based on the facts and circumstances set forth below, Salt Tokens were offered and sold as investment contracts, and therefore securities, pursuant to the test laid out in *SEC v. W. J. Howey Co.*, 328 U.S. 293 (1946) and subsequent cases discussing that test, including the cases referenced by the Commission in its *Report of Investigation Pursuant to Section 21(a) of The Securities Exchange Act of 1934: The DAO* (Exchange Act Rel. No. 81207) (July 25, 2017). A purchaser in the offering of Salt Tokens would have had a reasonable expectation of obtaining a future profit based upon Salt's efforts, including Salt's development of the lending business using the proceeds from the sale of Salt Tokens. Salt 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 an exemption from registration with the Commission.

Respondent

Salt is a privately-held Delaware corporation with its principal place of business in Denver, Colorado. Neither Salt nor its securities are registered with the Commission in any capacity.

Facts

1. Since its inception in 2016, Salt has worked to develop a lending business that was designed to allow borrowers to obtain United States dollar-denominated loans collateralized by digital assets such as Bitcoin or Ether. Salt raised money through its ICO to develop its lending business and offered its first loans to the public in early 2018.

2. Salt is continuing to develop the business and technology it described to investors in connection with the ICO and has lent tens of millions of dollars through its lending business to date.

Salt's Offer and Sale of Salt Tokens to Investors

3. On August 9, 2017, Salt finalized and released an abstract ("Abstract") describing its planned business model and the Salt Token sale. The name "Salt" is an acronym for "Secured Automated Lending Technology." The Abstract stated that Salt's technology would "automatically manage blockchain-backed credit agreements between borrowers and lenders" with several key functions, including secure storage of blockchain assets held as collateral,

monitoring the value of the blockchain assets held as collateral, and liquidating those assets as needed.

4. Salt offered and sold Salt Tokens through general solicitations that reached United States investors. Salt distributed its Abstract and other marketing materials and documents through its website, internet forums, and in-person presentations. Investors purchased Salt Tokens using other digital assets, specifically Bitcoin and Ether, as well as U.S. dollars. Salt raised approximately $47 million from these sales. Salt has continued to develop the lending business and raised an additional $1,200,000 from post-ICO sales of Salt Tokens. No registration statements were filed or in effect for any of the Salt Token offers and sales, and the offerings did not qualify for any exemption from registration. Salt made its last sale of Salt Tokens on August 16, 2019.

5. Salt's Abstract called the Salt Tokens "Membership Units" and stated that individuals would need to purchase Salt Tokens and redeem set amounts with the company in order to access portions of the company's website and to be eligible to apply for loans after the company began to make loans to the public.

6. Following the ICO, Salt began to offer loans secured by blockchain assets on a limited basis to the public. Salt also continued to sell Salt Tokens to the public.

Salt Purchasers Had a Reasonable Expectation of Obtaining a Future Profit from Salt's Efforts

7. Salt Token purchasers had a reasonable expectation of profits from their investment in the Salt enterprise. The proceeds of the Salt Token offering were intended to capitalize Salt's lending business and the development of associated technology that would increase demand for Salt Tokens and increase their value. Salt told investors that the company would launch the lending platform and that Salt would take various steps to increase the price of Salt Tokens, including limiting the number of Salt Tokens created and sold, managing the price at which Salt continued to sell the Salt Token, and managing the value at which Salt allowed the Salt Token to be redeemed for various benefits. Investors reasonably expected they would profit from the success of Salt's efforts to develop the lending business and associated technology, and that the value of Salt Tokens would increase as a result of those efforts.

8. Salt made statements on internet forums and in other marketing materials regarding the profits investors could realize by purchasing Salt Tokens. These promotional efforts were primarily directed at digital token enthusiasts and investors who had previously invested in other digital tokens. The Salt ICO encouraged speculative purchases with the earliest purchasers receiving the greatest discounts and the opportunity to profit by selling Salt Tokens on the secondary market. In the Abstract and in other marketing documents, statements in message boards, and on its website, Salt referred to the fact that tokens sold in the ICO were being sold at a "discount" to the $10 per Salt Token price that would be available at the conclusion of the ICO. In one marketing document, Salt stated that a "discount will remain in effect for as long as it takes for Membership Tokens to sell at $100. We will achieve this result by making the use of the Salt Platform robust and valuable as soon as possible." Salt stated that purchasers who did not use all of their Salt Tokens on the platform (or website) could "sell the

Tokens at full price on their own."

9. Salt knew that investors wanted the ability to freely trade Salt Tokens in the secondary market and to profit from those trades. Salt told investors that the Salt Token could be transferred to others who purchased them on the secondary market. For example, in one investor presentation Salt stated that the Salt Tokens "are built on an industry-standard ERC 20 smart contract and are fully transferable." In addition, both before and after the ICO, Salt sought to have Salt Tokens listed on various secondary trading platforms and Salt referred to the ability of purchasers to buy and sell Salt Tokens on secondary trading platforms in communications with potential investors.

10. Following the ICO, investors could trade Salt Tokens on multiple digital asset trading platforms. Salt supported secondary market sales after the ICO by setting the price at which it would sell its remaining Salt Tokens far above the prevailing secondary market price of the Salt Token. Salt also distributed the Salt Tokens to investors on request, a necessary first step to selling the Salt Tokens on the secondary market. In addition, Salt told investors and potential investors that it would treat Salt Tokens purchased or sold in the secondary market the same as Salt Tokens purchased directly from the company.

Violations

11. As a result of the conduct described above, Salt 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.

12. Also as a result of the conduct described above, Salt 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.

Salt's Cooperation and Remedial Efforts

13. In determining to accept the Offer, the Commission considered remedial acts undertaken by Respondent, including the fact that Salt returned several million dollars to investors, and cooperation afforded to the Commission staff.

Undertakings

Respondent makes the following undertakings:

14. Within fourteen (14) days from the date of this Order, Respondent will issue a press release (the "Press Release"), in a form not objected to by Commission staff, notifying the public of this Order and containing a link to the Order. At the same time, Respondent will prominently post the Press Release, link to the Order on Salt's company website, and maintain it there until the "Claim Form Deadline" (as defined in Paragraph 15.c. below).

15. Subsequently, Respondent will:

a. Within one hundred twenty (120) days of the date of this Order, file a Form 10 to register under Section 12(g) of the Securities Exchange Act of 1934 the Salt Tokens as a class of securities (the "1934 Act Registration");

b. Respond promptly and in good faith to any and all comments concerning the 1934 Act Registration issued by the Division of Corporation Finance;

c. On a date no later than sixty (60) calendar days after the date of the filing of the 1934 Act Registration, or on the date seven (7) days after the 1934 Act Registration becomes effective, whichever date is sooner (the earlier date being the "Effective Date"), distribute by electronic means reasonably designed to notify each potential claimant ("Distribution"), a notice and a claim form (the "Claim Form"), both of which shall be in a form not objected to by Commission staff, and both of which shall include a link to Salt's filing page on EDGAR, informing all persons and entities that purchased Salt Tokens from Respondent before and including December 31, 2019, of their potential claims under Section 12(a) of the Securities Act, including the right to sue "to recover the consideration paid for such security with interest thereon, less the amount of any income received thereon, upon the tender of such security, or for damages if [the purchaser] no longer owns the security" and informing purchasers that they may submit a written claim on the Claim Form directly to Respondent at an address indicated on the Claim Form of a purchaser's assertion of rights under Section 12(a) of the Securities Act, and that such claims must be submitted by a date certain ("Claim Form Deadline"); said Claim Form Deadline shall be the earlier of three (3) months from date that the Division of Corporation Finance notifies Respondent that the Division's review of the Form 10 has been concluded or six (6) months from the Effective Date.

d. Simultaneously with the Distribution of the Claim Form, post the Claim Form on Respondent's company website and maintain it there until the Claim Form Deadline; and

e. Maintain such 1934 Act Registration and make timely filings of all reports required by Section 13(a) of the Securities Exchange Act of 1934 at least until the later of: (1) the Claims Form Deadline; (2) such time as Respondent has filed all reports required for the fiscal year within which the 1934 Act Registration became effective; and (3) such time as Respondent is eligible to terminate its registration pursuant to Rule 12g-4 under the Securities Exchange Act of 1934.

16. Respondent will pay the amount due under Section 12(a) of the Securities Act, if any, to each qualified person or entity that purchased Salt Tokens from Respondent before and including December 31, 2019, and that submitted a written claim to Respondent's address by the Claim Form Deadline using the Claim Form. Within three (3) months from the Claim Form Deadline, Respondent will make all payments it deems to be due and adequately substantiated to purchasers who submitted the Claim Form by the Claim Form Deadline. Respondent may require that a claimant submit additional documentation supporting that the claimant is entitled to receive payment under Section 12(a) of the Securities Act and Paragraph 15 above. Upon receiving such a request, a claimant will have thirty (30) days to provide the requested documentation in writing to the address provided by Respondent. For any claims not paid, Respondent will provide the claimant with a written explanation of the reason for non-payment.

17. Beginning thirty (30) days after the Claim Form Deadline, Respondent will submit to Commission staff a monthly report of the claims received and the claims paid under Paragraph 16 above, including (a) identifying information about each claimant; (b) the amount of each claim; (c) the resolution of each claim, including the amount of each payment; (d) identification of all claims not paid and the reasons for all non-payment of claims; and (e) a list of all complaints received (if any) and the manner in which Respondent addressed each complaint. Respondent will provide Commission staff with any related additional information or documentation reasonably requested by Commission staff, such as documentation submitted by the claimant and documentation supporting Respondent's decision regarding the claim. In response to any objections by Commission staff to Respondent's handling of one or more claims, Respondent will reconsider its decision(s) in light of the objection and will provide a written explanation to Commission staff of its decision following such reconsideration.

18. Within seven (7) months of the Effective Date, Respondent will submit to Commission staff a final report of its handling of all claims received under Paragraph 16 above, including all information listed in Paragraph 17 above (the "Final Report").

19. Respondent will certify, in writing, compliance with the undertakings set forth above within sixty (60) days of their completion. 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 certification and supporting material shall be submitted to: Laura M. Metcalfe, Assistant Director, Complex Financial Instruments Unit, Division of Enforcement, Securities and Exchange Commission, 1961 Stout Street, Denver, CO 80294, or such other person or address (including electronic address) as the Commission may identify, with a copy to the Office of Chief Counsel of the Enforcement Division. The Commission staff may make reasonable requests for further evidence of

compliance, and Respondent agrees to provide such evidence, as applicable.

20. If Respondent plans to file a Form 15 to terminate its registration pursuant to Rule 12g-4 under the Securities Exchange Act of 1934 on the grounds that the Salt Token no longer constitutes a "class of securities" under Rule 12g-4 because the Salt Token is no longer a "security" under Section 3(a)(10) of the Securities Exchange Act of 1934, Respondent will notify the Commission staff at least thirty (30) days prior to such filing. Upon such notification, the Commission staff may make reasonable requests for further information, and Respondent agrees to provide such information, as applicable.

21. Respondent will retain all records and communications relating to the Salt Token offering for a period of at least one year after the date it submits the certification of compliance as described in Paragraph 19, above, or until such time as otherwise required by law.

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

23. In determining whether to accept the Offer, the Commission has considered the Respondent's cooperation and these undertakings.

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 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 Sections 5(a) and (c) of the Securities Act.

B. Respondent shall, within ten (10) days of the entry of this Order, pay a civil money penalty in the amount of $250,000 to the Commission for transfer to the general fund of the United States Treasury, subject to Exchange Act Section 21F(g)(2). 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) Respondents 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 Salt as the 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 Laura M. Metcalfe, Assistant Director, Complex Financial Instruments Unit, Division of Enforcement, Securities and Exchange Commission, Denver Regional Office, Byron G. Rogers Federal Building, 1961 Stout Street, Suite 1700, Denver, Colorado, 80294.

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.

Vanessa A. Countryman
Secretary