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U.S. DISTRICT COURT

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SEALED

IN THE UNITED STATES DISTRICT COURT
DISTRICT OF UTAH, NORTHERN DIVISION

SECURITIES AND EXCHANGE
COMMISSION,

Plaintiff,

v.

DIGITAL LICENSING INC. (d/b/a “DEBT Box”), a Wyoming corporation; JASON R. ANDERSON, an individual; JACOB S. ANDERSON, an individual; SCHAD E. BRANNON, an individual; ROYDON B. NELSON, an individual; JAMES E. FRANKLIN, an individual; WESTERN OIL EXPLORATION COMPANY, INC., a Nevada corporation; RYAN BOWEN, an individual; IX GLOBAL, LLC, a Utah limited liability company; JOSEPH A. MARTINEZ, an individual; BENJAMIN F. DANIELS, an individual; MARK W. SCHULER, an individual; B & B INVESTMENT GROUP, LLC (d/b/a “CORE 1 CRYPTO”), a Utah limited liability company; TRAVIS A. FLAHERTY, an individual; ALTON O. PARKER, an individual; BW HOLDINGS, LLC (d/b/a the “FAIR PROJECT”), a Utah limited liability company; BRENDAN J. STANGIS, an individual; and MATTHEW D. FRITZSCHE, an individual;

Defendants,

Case: 2:23-cv-00482

Case No.: Assigned To : Stewart, Ted
Assign. Date : 07/26/2023
Description: Securities and Exchange
Commission v. Digital Licensing et al

**PLAINTIFF SECURITIES AND
EXCHANGE COMMISSION’S *EX
PARTE* APPLICATION FOR
APPOINTMENT OF A
TEMPORARY RECEIVER AS TO
DEFENDANT DIGITAL
LICENSING INC. AND ORDER TO
SHOW CAUSE RE APPOINTMENT
OF A PERMANENT RECEIVER,
AND MEMORANDUM IN
SUPPORT**

Judge:

ARCHER DRILLING, LLC, a Wyoming limited liability company; BUSINESS FUNDING SOLUTIONS, LLC, a Utah limited liability company; BLOX LENDING, LLC, a Utah limited liability company; CALMFRTZ HOLDINGS, LLC, a Utah limited liability company; CALMES & CO, INC., a Utah corporation; FLAHERTY ENTERPRISES, LLC, an Arizona limited liability company; IX VENTURES FZCO, a United Arab Emirates company; PURDY OIL, LLC, a Nebraska limited liability company; THE GOLD COLLECTIVE LLC, a Utah limited liability company; and UIU HOLDINGS, LLC, a Delaware limited liability company,

Relief Defendants.

Plaintiff Securities and Exchange Commission (“SEC”) requests the appointment of a temporary equity receiver over Defendant Digital Licensing Inc. (“DEBT Box”) and its subsidiaries and affiliates. The SEC requests that the receiver have the full powers of an equity receiver, including, but not limited to, full power over all funds, tangible and intangible assets (including digital assets and cryptocurrency), collateral, premises, choses in action, electronic devices, books, records, papers, and other real or personal property belonging to, being managed by, or in the possession or control of DEBT Box and any of its subsidiaries and affiliates.

The SEC is not seeking to have a receiver appointed over the other Defendants or Relief Defendants at this time, but is only seeking, pursuant to the contemporaneously-filed *Ex Parte* Application for Entry of Temporary Restraining Order and Orders (1) Freezing Assets; (2) Requiring Accountings; (3) Prohibiting the Destruction of Documents; (4) Granting Expedited Discovery; (5) Repatriating Assets; and (6) Order to Show Cause re Preliminary Injunction (herein, “TRO Motion”), to freeze and repatriate those parties’ assets.

The SEC recommends the appointment of Josias N. Dewey of the law firm of Holland & Knight as temporary receiver over DEBT Box. As more fully described below, the SEC bases its recommendation on, among other things, Mr. Dewey’s qualifications, experience, and agreement to cap fees incurred in the initial stages of the receivership.

ARGUMENT

In addition to the temporary restraining order, asset freeze, and other expedited relief the SEC seeks in its TRO Motion, the SEC also seeks appointment of a temporary receiver over Defendant DEBT Box, the entity at the heart of Defendants’ fraudulent “node software license” securities scheme. Appointment of such a temporary receiver is well within the Court’s discretion, and is justified in this case.

Courts have broad discretion to appoint equity receivers in SEC enforcement actions. *See SEC v. Wencke*, 622 F.2d 1363, 1365 (9th Cir. 1980). The breadth of this discretion “arises out of the fact that most receiverships involve multiple parties and complex transactions.” *SEC v. Capital Consultants, LLC*, 397 F.3d 733, 738 (9th Cir. 2005) (quotation omitted).

A receiver plays a crucial role in preventing further dissipation and misappropriation of investors’ assets. *See Wencke*, 783 F.2d at 836–37 & n.9. Factors such as the integrity of management and the likelihood of future misuse of assets are critical in determining whether a receiver should be appointed. *See SEC v. Fifth Ave. Coach Lines, Inc.*, 289 F. Supp. 3, 42 (S.D.N.Y. 1968), *aff’d*, 435 F.2d 510 (2d Cir. 1970). Courts have found a receivership to be justified where management of an entity, collection of revenue, and/or distribution of investor funds are required, including in cases, like this one, involving crypto assets. *See, e.g., SEC v. Credit First Fund*, No. CV05-8741, 2006 WL 4729240, *15 (C.D. Cal. 2006) (unpublished); *Fifth Ave. Coach Lines*, 289 F. Supp. at 42; *SEC v. Titanium Blockchain Infrastructure Servs., Inc.*, Dkt. No. 18-cv-04315 (C.D. Cal. May 22, 2018) (unpublished, and attached hereto as Exhibit 2) (appointing temporary receiver on an *ex parte* application where defendants raised funds from investors through a crypto asset offering); *SEC v. Arisebank*, Dkt. No. 18-cv-00186-M, 2018 WL 1532152 (N.D. Tex. Jan. 25, 2018) (unpublished) (same).

RECOMMENDED RECEIVER

The SEC recommends the appointment of Josias N. Dewey, Esq. of the law firm of Holland & Knight, as receiver in this action. Attached as Exhibit 3 is a copy of a letter, which states Mr. Dewey’s qualifications and the qualifications of the Holland & Knight firm and its attorneys, and which includes a proposal to provide services as a receiver in this action. Mr. Dewey sent the information attached as Exhibit 3 to the SEC at the request of counsel for the

SEC in this action, who solicited this information in conformity with internal SEC procedures for selecting candidates to recommend for appointment as receivers in SEC actions. The SEC obtained proposals from two other qualified receiver candidates and evaluated all three proposals before selecting Mr. Dewey as its recommended candidate for receiver in this action.

The SEC is recommending Mr. Dewey for several reasons. Mr. Dewey is an experienced financial services attorney with expertise in the areas relevant to a receivership over DEBT Box and its subsidiaries and affiliates, namely, blockchain and distributed ledger technology, initial coin offerings (or “token” offerings), and crypto assets. Mr. Dewey’s law firm has experience in federal equity receiverships and securities litigation including SEC enforcement matters. Mr. Dewey’s colleagues who would assist him in this matter include a former supervisory trial counsel and senior officer in the SEC’s Division of Enforcement, Jessica Magee, as well as a former SEC Division of Enforcement assistant director, Scott Mascianica, both of whom personally investigated, litigated, and supervised numerous digital assets and oil and gas matters, including those involving receivers, while at the SEC; and both of whom now sit in Holland & Knight’s Dallas office.

Mr. Dewey has agreed to cap the fees incurred in the first 30 days of the receivership at \$200,000. This proposed initial fee cap is similar to what was ordered in a similar action filed by the SEC entitled *SEC v. AriseBank, et al.*, in which Mark Rasmussen, of the law firm Jones Day, was appointed receiver over the entity AriseBank that the SEC alleged conducted an unregistered and fraudulent crypto asset securities offering in violation of the federal securities laws, as well as in *SEC v. Titanium Blockchain Infrastructure Servs., Inc.*, in which (in 2018) the Court capped Mr. Dewey’s fees and costs as receiver in the first 30 days of that receivership.

Mr. Dewey has agreed to discount his regularly hourly rate by approximately 25% to \$750 per hour, which is reasonable particularly in view of his substantial experience and relevant expertise. Mr. Dewey has agreed to roughly 17% to 33% discounts to the rates of his colleagues at Holland & Knight who would work on the matter. Since Mr. Dewey and several of those colleagues are based in Miami and Dallas, he has also agreed that he and these colleagues will not bill for travel time to Utah for work on this matter.

CONCLUSION

For these reasons, and because of Mr. Dewey's qualifications (set forth in Exhibit 3), the SEC respectfully recommends that the Court appoint Mr. Dewey as a receiver in this action as to Defendant DEBT Box, and that the Court further order that Defendants show cause, at the Court's preliminary injunction hearing, as to why Mr. Dewey should not continue to serve as a receiver throughout the pendency of this case. A proposed order is attached hereto as Exhibit 1.

Dated: July 26, 2023.

Respectfully submitted,

SECURITIES AND EXCHANGE COMMISSION

/s/ Michael E. Welsh
Michael E. Welsh
Casey R. Fronk
Attorneys for Plaintiff
Securities and Exchange Commission

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IN THE UNITED STATES DISTRICT COURT
DISTRICT OF UTAH, NORTHERN DIVISION

SECURITIES AND EXCHANGE
COMMISSION,

Plaintiff,

v.

DIGITAL LICENSING INC. (d/b/a “DEBT Box”), a Wyoming corporation; JASON R. ANDERSON, an individual; JACOB S. ANDERSON, an individual; SCHAD E. BRANNON, an individual; ROYDON B. NELSON, an individual; JAMES E. FRANKLIN, an individual; WESTERN OIL EXPLORATION COMPANY, INC., a Nevada corporation; RYAN BOWEN, an individual; IX GLOBAL, LLC, a Utah limited liability company; JOSEPH A. MARTINEZ, an individual; BENAJMIN F. DANIELS, an individual; MARK W. SCHULER, an individual; B & B INVESTMENT GROUP, LLC (d/b/a “CORE 1 CRYPTO”), a Utah limited liability company; TRAVIS A. FLAHERTY, an individual; ALTON O. PARKER, an individual; BW HOLDINGS, LLC (d/b/a the “FAIR PROJECT”), a Utah limited liability company; BRENDAN J. STANGIS, an individual; and MATTHEW D. FRITZSCHE, an individual;

Defendants,

Case: 2:23-cv-00482

Case No.: Assigned To : Stewart, Ted
Assign. Date : 07/26/2023

Description: Securities and Exchange
Commission v. Digital Licensing et al

**[PROPOSED] TEMPORARY
RECEIVERSHIP ORDER AND
ORDER TO SHOW CAUSE RE
APPOINTMENT OF A
PERMANENT RECEIVER**

Judge:

ARCHER DRILLING, LLC, a Wyoming limited liability company; BUSINESS FUNDING SOLUTIONS, LLC, a Utah limited liability company; BLOX LENDING, LLC, a Utah limited liability company; CALMFRTZ HOLDINGS, LLC, a Utah limited liability company; CALMES & CO, INC., a Utah corporation; FLAHERTY ENTERPRISES, LLC, an Arizona limited liability company; IX VENTURES FZCO, a United Arab Emirates company; PURDY OIL, LLC, a Nebraska limited liability company; THE GOLD COLLECTIVE LLC, a Utah limited liability company; and UIU HOLDINGS, LLC, a Delaware limited liability company,

Relief Defendants.

This matter came before the Court upon Plaintiff Securities and Exchange Commission's *Ex Parte* Application for Appointment of a Temporary Receiver as to Defendant Digital Licensing Inc. and Order to Show Cause re Appointment of a Permanent Receiver (the "Temporary Receivership Application").

The Court, having considered the Commission's Complaint, the Temporary Receivership Application and supporting memorandum of points and authorities, and the other evidence and argument presented to the Court, finds that:

- A. This Court has jurisdiction over the parties to, and the subject matter of, this action.
- B. The Commission has made a sufficient and proper showing in support of the relief granted herein, as required by Section 20(b) of the Securities Act of 1933 ("Securities Act") [15 U.S.C. § 77t(b)] and Section 21(d) of the Securities Exchange Act of 1934 ("Exchange Act") [15 U.S.C. § 78u(b)], by evidence establishing a *prima facie* case and likelihood that Defendant Digital Licensing Inc. (d/b/a "DEBT Box") has engaged in, are engaging in, are about to engage in,

and will continue to engage in, unless restrained, transactions, acts, practices and courses of business that constitute violations of Section 17(a) of the Securities Act [15 U.S.C. § 77q(a)]; Section 10(b) of the Securities Exchange Act [15 U.S.C. § 78j(b)], and Rule 10b-5 thereunder [17 C.F.R. § 240.10b-5]; and/or Section 5(a) and (c) of the Securities Act [15 U.S.C. § 77e(a), (c)].

- C. Good cause exists to appoint a temporary equity receiver over Defendant Digital Licensing Inc.

I.

IT IS HEREBY ORDERED that the Commission's Temporary Receivership Application is GRANTED.

II.

IT IS HEREBY FURTHER ORDERED that Josias N. Dewey is appointed as temporary receiver of Defendant Digital Licensing Inc. (d/b/a "DEBT Box") and its subsidiaries and affiliates, with full powers of an equity receiver, including, but not limited to, full power over all funds, assets, collateral, premises (whether owned, leased, occupied, or otherwise controlled), choses in action, books, records, papers and other property belonging to, being managed by or in the possession of or control of Defendant Digital Licensing Inc. and its subsidiaries and affiliates, and that such receiver is immediately authorized, empowered and directed:

- A. to have access to and to collect and take custody, control, possession, and charge of all funds, assets (including any digital assets, digital currencies, virtual currencies, digital tokens of any kind, cryptocurrencies, digital wallets, or private keys associated with any of the foregoing, whether encrypted or not, or other tangible, intangible, or digital assets, wherever located), collateral, premises (whether owned, leased, pledged as collateral, occupied, or otherwise controlled), choses in action, books, records, papers, and other real or personal property, wherever located, of or managed by Defendant Digital Licensing Inc. and its subsidiaries and affiliates (collectively, the "Assets") with full power to sue, foreclose, marshal, collect, receive, and take into possession all such Assets (including access to and taking custody, control, and possession of all such Assets);

B. to assume full control of defendant Digital Licensing Inc. by removing, as the receiver deems necessary or advisable, any director, officer, attorney, independent contractor, employee, or agent of any of defendant Digital Licensing Inc. and its subsidiaries and affiliates, including any named Defendant, from control of, management of, or participation in, the affairs of Defendant Digital Licensing Inc.;

C. to have control of, and to be added as the sole authorized signatory for, all accounts of the entities in receivership, including all accounts at any bank, title company, escrow agent, financial institution, brokerage firm (including any futures commission merchant), or coin exchange, which has possession, custody or control of any Assets, or which maintains accounts over which Defendant Digital Licensing Inc., and its subsidiaries and affiliates, and/or any of their employees or agents have signatory authority;

D. to conduct such investigation and discovery as may be necessary to locate and account for all of the assets (including any digital assets, digital currencies, virtual currencies, digital tokens, cryptocurrencies, digital wallets, or other tangible, intangible, or digital assets, wherever located) of or managed by Defendant Digital Licensing Inc. and its subsidiaries and affiliates, and to engage and employ attorneys, accountants and other persons to assist in such investigation and discovery;

E. to take such action as is necessary and appropriate to preserve and take control of, and to prevent the dissipation, concealment, or disposition of, any Assets;

F. to choose, engage, and employ attorneys, accountants, appraisers, and other independent contractors and technical specialists, as the receiver deems advisable or necessary in the performance of duties and responsibilities under the authority granted by this Order, including but not limited to, the law firm in which the receiver is a partner;

G. to make accountings, as soon as practicable, to this Court and the SEC of the assets and financial conditions of Defendant Digital Licensing Inc. and to file the accountings with the Court and deliver copies thereof to all parties;

H. to make such payments and disbursements from the Assets taken into custody, control, and possession or thereafter received by him, and to incur, or authorize the making of, such agreements as may be necessary and advisable in discharging his duties as receiver;

I. to investigate and, where appropriate, to institute, pursue, and prosecute all claims and causes of action of whatever kind and nature that may now or hereafter exist as a result of the activities of present or past employees or agents of Defendant Digital Licensing Inc., and its subsidiaries and affiliates;

J. to institute, compromise, adjust, appear in, intervene in, or become party to such actions or proceedings in state, federal, or foreign courts, that (i) the receiver deems necessary and advisable to preserve or recover any Assets, or (ii) the receiver deems necessary and advisable to carry out the receiver's mandate under this Order; and

K. to have access to and monitor all mail, electronic mail, text, SMS, or other messaging applications, and video phones of the entities in receivership in order to review such mail, electronic mail, SMS, text, or other messaging applications, and video phones which he deems relates to his business and the discharging of his duties as receiver.

III.

IT IS HEREBY FURTHER ORDERED that Defendant Digital Licensing Inc. and its subsidiaries and affiliates, including all of the other entities in receivership, and their officers, agents, servants, employees and attorneys, and any other persons who are in custody, possession or control of any assets (including any digital assets, digital currencies, virtual currencies, digital tokens, cryptocurrencies, digital wallets, or any private keys associated with any of the foregoing, whether encrypted or not, or other tangible, intangible, or digital assets of any of the Defendants, wherever located), collateral, books, records, papers or other property of or managed by any of the entities in receivership, shall forthwith give access to and control of such property to the receiver.

IV.

IT IS HEREBY FURTHER ORDERED that any person who receives actual notice of this Order by personal service or otherwise who holds, possesses, or controls any account

passwords, computer passwords, device PINs or passwords, or cryptographic keys, including any such passwords or cryptographic keys held in any manner in any safe deposit box or pursuant to any other bailee relationship, pertaining in any manner to any assets of any of the Defendants (including any digital assets, digital currencies, virtual currencies, digital tokens, cryptocurrencies, digital wallets, or other tangible, intangible, or digital assets of any of the Defendants, wherever located), shall within 5 days of receiving actual notice of this Order provide counsel for the SEC and the receiver with continuing access to all such account passwords, computer passwords, device PINs or passwords, and cryptographic keys, which, if stored in an encrypted state, shall be provided in an unencrypted state.

V.

IT IS HEREBY FURTHER ORDERED that no officer, agent, servant, employee, or attorney of Defendant Digital Licensing Inc. shall take any action or purport to take any action, in the name of Defendant Digital Licensing Inc. or on behalf of Defendant Digital Licensing Inc. without the written consent of the receiver or order of this Court.

VI.

IT IS HEREBY FURTHER ORDERED that, except by leave of this Court, during the pendency of this receivership, all clients, investors, trust beneficiaries, note holders, creditors, claimants, lessors, and all other persons or entities seeking relief of any kind, in law or in equity, from Defendant Digital Licensing Inc., or its subsidiaries or affiliates, and all persons acting on behalf of any such investor, trust beneficiary, note holder, creditor, claimant, lessor, consultant group, or other person, including sheriffs, marshals, servants, agents, employees, and attorneys, are hereby restrained and enjoined from, directly or indirectly, with respect to these persons and entities:

- A. commencing, prosecuting, continuing or enforcing any suit or proceeding (other than the present action by the SEC or any other action by the government) against any of them;
- B. using self-help or executing or issuing or causing the execution or issuance of any court attachment, subpoena, replevin, execution or other process for the purpose of impounding

or taking possession of or interfering with or creating or enforcing a lien upon any property or property interests owned by or in the possession of Defendant Digital Licensing Inc.; and

C. doing any act or thing whatsoever to interfere with taking control, possession or management by the receiver appointed hereunder of the property and assets owned, controlled or managed by or in the possession of Defendant Digital Licensing Inc., or in any way to interfere with or harass the receiver or his attorneys, accountants, employees, or agents or to interfere in any manner with the discharge of the receiver's duties and responsibilities hereunder.

VII.

IT IS HEREBY FURTHER ORDERED that Defendant Digital Licensing Inc. and its subsidiaries, affiliates, officers, agents, servants, employees, and attorneys, shall cooperate with and assist the receiver and shall take no action, directly or indirectly, to hinder, obstruct, or otherwise interfere with the receiver or his attorneys, accountants, employees, or agents, in the conduct of the receiver's duties or to interfere in any manner, directly or indirectly, with the custody, possession, management, or control by the receiver of the funds, assets, collateral, premises, and choses in action described above.

VIII.

IT IS HEREBY FURTHER ORDERED that Defendant Digital Licensing Inc. and its subsidiaries and affiliates, shall pay the costs, fees and expenses of the receiver incurred in connection with the performance of his duties described in this Order, including the costs and expenses of those persons who may be engaged or employed by the receiver to assist him in carrying out his duties and obligations. The receiver's fees shall not exceed \$200,000 during the initial 30 days of the receivership. Further fee limitations, if any, will be set by the Court. All applications for costs, fees, and expenses for services rendered in connection with the receivership other than routine and necessary business expenses in conducting the receivership, such as salaries, rent, and any and all other reasonable operating expenses, shall be made by application setting forth in reasonable detail the nature of the services and shall be heard by the Court.

IX.

IT IS HEREBY FURTHER ORDERED that no bond shall be required in connection with the appointment of the receiver. Except for an act of gross negligence, the receiver shall not be liable for any loss or damage incurred by any of the Defendants, their officers, agents, servants, employees, and attorneys or any other person, by reason of any act performed or omitted to be performed by the receiver in connection with the discharge of his duties and responsibilities.

X.

IT IS HEREBY FURTHER ORDERED that representatives of the SEC and any other government agency are authorized to have continuing access to inspect or copy any or all of the corporate books and records and other documents of Defendant Digital Licensing Inc., and the other entities in receivership, and continuing access to inspect their funds, property, assets, and collateral, wherever located.

XI.

IT IS HEREBY FURTHER ORDERED that at _____ on _____, 2023, or as soon thereafter as the parties may be heard, the Defendants, and each of them, shall appear before the Honorable _____, Judge of the United States District Court of Utah, to show cause, if there be any, why Josias N. Dewey shall not be appointed as permanent receiver in this matter. Any declarations, affidavits, points and authorities, or other submissions in support of, or in opposition to, the issuance of such an Order shall be filed with the Court and emailed to the Commission to the attention of Michael E. Welsh and Casey R. Fronk, counsel for the Commission, by electronic mail at welshmi@sec.gov and fronkc@sec.gov, and to the offices of the Defendants or their attorneys, no later than _____, on _____, 2023. Any reply papers shall be filed with the Court and delivered to opposing counsel no later than _____, on _____, 2023.

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XII.

IT IS HEREBY FURTHER ORDERED that this Court shall retain jurisdiction over this action for the purpose of implementing and carrying out the terms of all orders and decrees that may be entered herein and to entertain any suitable application or motion for additional relief within the jurisdiction of this Court.

IT IS SO ORDERED.

Dated: _____

UNITED STATES DISTRICT JUDGE

Presented by:
Michael E. Welsh
Casey R. Fronk
Attorneys for Plaintiff
Securities and Exchange Commission

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**UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA**

SECURITIES AND EXCHANGE
COMMISSION,

Plaintiff,

vs.

TITANIUM BLOCKCHAIN
INFRASTRUCTURE SERVICES,
INC.; EHI INTERNETWORK AND
SYSTEMS MANAGEMENT, INC.
aka EHI-INSM, INC.; and MICHAEL
ALAN STOLLERY aka MICHAEL
STOLLAIRE,

Defendants.

Case No. CV18-4315-DSF (JPRx)

**PRELIMINARY INJUNCTION AND
ORDERS (1) FREEZING ASSETS; (2)
PROHIBITING THE DESTRUCTION
OR ALTERATION OF
DOCUMENTS; (3) GRANTING
EXPEDITED DISCOVERY; (4)
REQUIRING ACCOUNTINGS; AND
(5) APPOINTING A PERMANENT
RECEIVER**

1 This matter is before the Court on the Consent of Defendants Titanium
2 Blockchain Infrastructure Services, Inc. (“TBIS”), EHI Internetwork and Systems
3 Management, Inc. aka EHI-INSM, Inc. (“EHI”), and Michael Alan Stollery aka
4 Michael Stollaire (“Stollaire”) (collectively, “Defendants”) to the Entry of a
5 Preliminary Injunction and Orders (1) Freezing Assets; (2) Prohibiting the
6 Destruction or Alteration of Documents; (3) Granting Expedited Discovery; (4)
7 Requiring Accountings; and (5) Appointing a Permanent Receiver.

8 The Court, having previously entered a Temporary Restraining Order and
9 Orders (1) Freezing Assets; (2) Prohibiting the Destruction or Alteration of
10 Documents; (3) Granting Expedited Discovery; (4) Requiring Accountings; and (5)
11 Appointing a Temporary Receiver; and Order to Show Cause Re Preliminary
12 Injunction and Appointment of a Permanent Receiver on May 23, 2018 (“TRO”), and
13 having considered the SEC’s Complaint, Application for a Temporary Restraining
14 Order, the supporting Memorandum of Points and Authorities, the supporting
15 declarations and exhibits, and the other evidence and argument presented to the
16 Court, as well as the Defendants’ Consents, finds that:

- 17 A. This Court has jurisdiction over the parties to, and the subject matter of,
18 this action.
- 19 B. The Defendants have consented to the entry of a preliminary injunction
20 on the terms below.

21 **I.**

22 Good cause exists for the entry of a preliminary injunction, appointment of a
23 permanent receiver, and the related orders herein.

24 **II.**

25 IT IS HEREBY ORDERED, ADJUDGED, AND DECREED that defendants
26 TBIS, EHI, and Stollaire are preliminarily restrained and enjoined from violating,
27 directly or indirectly, Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and
28 Rule 10b-5 promulgated thereunder [17 C.F.R. § 240.10b-5], by using any means or

1 instrumentality of interstate commerce, or of the mails, or of any facility of any
2 national securities exchange, in connection with the purchase or sale of any security:

- 3 (a) to employ any device, scheme, or artifice to defraud;
4 (b) to make any untrue statement of a material fact or to omit to state a
5 material fact necessary in order to make the statements made, in the light
6 of the circumstances under which they were made, not misleading; or
7 (c) to engage in any act, practice, or course of business which operates or
8 would operate as a fraud or deceit upon any person.

9 IT IS FURTHER ORDERED, ADJUDGED, AND DECREED that, as
10 provided in Federal Rule of Civil Procedure 65(d)(2), the foregoing paragraph also
11 binds the following who receive actual notice of this Preliminary Injunction by
12 personal service or otherwise: (a) Defendants' officers, agents, servants, employees,
13 and attorneys; and (b) other persons in active concert or participation with any of the
14 Defendants or with anyone described in (a).

15 **III.**

16 IT IS HEREBY FURTHER ORDERED, ADJUDGED, AND DECREED that
17 defendants TBIS, EHI, and Stollaire are preliminarily restrained and enjoined from
18 violating Section 17(a) of the Securities Act [15 U.S.C. § 77q(a)] in the offer or sale
19 of any security by the use of any means or instruments of transportation or
20 communication in interstate commerce or by use of the mails, directly or indirectly:

- 21 (a) to employ any device, scheme, or artifice to defraud;
22 (b) to obtain money or property by means of any untrue statement of a
23 material fact or any omission of a material fact necessary in order to
24 make the statements made, in light of the circumstances under which
25 they were made, not misleading; or
26 (c) to engage in any transaction, practice, or course of business which
27 operates or would operate as a fraud or deceit upon the purchaser.

28 IT IS FURTHER ORDERED, ADJUDGED, AND DECREED that, as

1 provided in Federal Rule of Civil Procedure 65(d)(2), the foregoing paragraph also
2 binds the following who receive actual notice of this Preliminary Injunction by
3 personal service or otherwise: (a) Defendants’ officers, agents, servants, employees,
4 and attorneys; and (b) other persons in active concert or participation with any of the
5 Defendants or with anyone described in (a).

6 **IV.**

7 **IT IS HEREBY FURTHER ORDERED, ADJUDGED, AND DECREED** that
8 defendants TBIS and Stollaire are preliminarily restrained and enjoined from
9 violating Section 5 of the Securities Act [15 U.S.C. § 77e] by, directly or indirectly,
10 in the absence of any applicable exemption:

- 11 (a) Unless a registration statement is in effect as to a security, making use of
12 any means or instruments of transportation or communication in
13 interstate commerce or of the mails to sell such security through the use
14 or medium of any prospectus or otherwise;
- 15 (b) Unless a registration statement is in effect as to a security, carrying or
16 causing to be carried through the mails or in interstate commerce, by any
17 means or instruments of transportation, any such security for the purpose
18 of sale or for delivery after sale; or
- 19 (c) Making use of any means or instruments of transportation or
20 communication in interstate commerce or of the mails to offer to sell or
21 offer to buy through the use or medium of any prospectus or otherwise
22 any security, unless a registration statement has been filed with the
23 Commission as to such security, or while the registration statement is the
24 subject of a refusal order or stop order or (prior to the effective date of
25 the registration statement) any public proceeding or examination under
26 Section 8 of the Securities Act [15 U.S.C. § 77h].

27 **IT IS FURTHER ORDERED, ADJUDGED, AND DECREED** that, as
28 provided in Federal Rule of Civil Procedure 65(d)(2), the foregoing paragraph also

1 binds the following who receive actual notice of this Preliminary Injunction by
2 personal service or otherwise: (a) defendants TBIS's and Stollaire's officers, agents,
3 servants, employees, and attorneys; and (b) other persons in active concert or
4 participation with defendant TBIS or Stollaire or with anyone described in (a).

5 **V.**

6 IT IS FURTHER ORDERED that, except as otherwise ordered by this Court,
7 Defendants TBIS, EHI, and Stollaire be and hereby are preliminarily restrained and
8 enjoined from, directly or indirectly, transferring, assigning, selling, hypothecating,
9 changing, wasting, dissipating, converting, concealing, encumbering, or otherwise
10 disposing of, in any manner, any funds, securities, claims or other real or personal
11 property, including any digital assets, digital currencies, virtual currencies, digital
12 tokens, cryptocurrencies, digital wallets, or other tangible, intangible, or digital
13 assets, wherever located, of any of the Defendants, or their subsidiaries or affiliates,
14 owned by, controlled by, managed by, or in the possession or custody of any of them,
15 and from transferring, encumbering, dissipating, or incurring charges or cash
16 advances on any debit or credit card or the credit arrangement of any of the
17 Defendants, or their subsidiaries and affiliates.

18 IT IS FURTHER ORDERED, ADJUDGED, AND DECREED that, as
19 provided in Federal Rule of Civil Procedure 65(d)(2), the foregoing paragraph also
20 binds the following who receive actual notice of this Preliminary Injunction by
21 personal service or otherwise: (a) Defendants' officers, agents, servants, employees,
22 and attorneys; and (b) other persons in active concert or participation with any of the
23 Defendants or with anyone described in (a).

24 **VI.**

25 IT IS FURTHER ORDERED that, except as otherwise ordered by this Court,
26 the asset freeze previously ordered by the TRO shall remain in place on all monies
27 and assets, including all digital assets, digital currencies, virtual currencies, digital
28 tokens, cryptocurrencies, digital wallets, or other tangible, intangible, and digital

1 funds or assets, wherever located (with an allowance for necessary and reasonable
 2 living expenses to be granted only upon good cause shown by application to the
 3 Court with notice to and an opportunity for the SEC to be heard) in all accounts at
 4 any bank, financial institution, brokerage firm, third-payment payment processor,
 5 coin exchange, or any other holder or custodian of any digital assets, digital
 6 currencies, virtual currencies, digital tokens, cryptocurrencies, digital wallets, or other
 7 tangible, intangible, or digital funds or assets held in the name of, for the benefit of,
 8 or over which account authority is held by defendants TBIS, EHI, and/or Stollaire,
 9 including but not limited to the accounts listed below:

INSTITUTION	ACCOUNT NAME/OWNER	ACCOUNT NO.
COINBASE	MICHAEL STOLLERY AKA MICHAEL ALAN STOLLAIRE	0x98935ab01caA7a162892FdF9c6423de2 4b078a4c [Wallet Address]
COINBASE	TITANIUM BLOCKCHAIN INFRASTRUCTURE SERVICES INC.	0x1818409Ff612A6d574ca979904396bB 4B8EA6d51 [Wallet Address]
JP MORGAN CHASE	TITANIUM BLOCKCHAIN INFRASTRUCTURE SERVICES INC.	[REDACTED] 2796 [REDACTED] 2722 [REDACTED] 1125 [REDACTED] 0755 [REDACTED] 7471
JP MORGAN CHASE	EHI INTERNETWORK AND SYSTEMS MANAGEMENT, INC.	[REDACTED] 3680 [REDACTED] 3531 [REDACTED] 5136 [REDACTED] 0172 [REDACTED] 1001 [REDACTED] 9994
JP MORGAN CHASE	MICHAEL STOLLERY AKA MICHAEL ALAN STOLLAIRE	[REDACTED] 6740
PayPal	TITANIUM BLOCKCHAIN INFRASTRUCTURE SERVICES INC.	[REDACTED] 9120 [REDACTED] 0070 [REDACTED] 3031 [REDACTED] 4114
PayPal	EHI INTERNETWORK AND SYSTEMS MANAGEMENT, INC.	[REDACTED] 7714
VENMO	MICHAEL STOLLAIRE	[REDACTED] 7949

INSTITUTION	ACCOUNT NAME/OWNER	ACCOUNT NO.
VENMO	TITANIUM BLOCKCHAIN INFRASTRUCTURE SERVICES INC.	[REDACTED] 4336
U.S. BANK	TITANIUM BLOCKCHAIN INFRASTRUCTURE SERVICES INC.	[REDACTED] 6688
WELLS FARGO BANK	MICHAEL STOLLERY AND/OR OXANA STOLLERY	[REDACTED] 0492 [REDACTED] 6636 [REDACTED] 1463 [REDACTED] 5399 [REDACTED] 5141 [REDACTED] 1998

Any bank, financial institution, brokerage firm, third-party payment processor, or coin exchange, or any other holder or custodian of any digital assets, digital currencies, virtual currencies, digital tokens, cryptocurrencies, or such monies or assets described above shall hold and retain within their control and prohibit the withdrawal, removal, transfer or other disposal of any such funds or other assets except as otherwise ordered by this Court.

VII.

IT IS FURTHER ORDERED that, except as otherwise ordered by this Court, each of defendants TBIS, EHI, and Stollaire be and hereby are preliminarily restrained and enjoined from, directly or indirectly: destroying, mutilating, concealing, transferring, altering, or otherwise disposing of, in any manner, any documents, which includes all books, records, computer programs, computer files, data objects existing in any state, computer printouts, contracts, emails, correspondence, memoranda, brochures, or any other documents of any kind in their possession, custody or control, however created, produced, or stored (manually, mechanically, electronically, or otherwise), and any accounts, account passwords, computer passwords, device PINs and passwords, cryptographic keys, or digital wallets, pertaining in any manner to defendants TBIS, EHI, or Stollaire.

1 IT IS FURTHER ORDERED, ADJUDGED, AND DECREED that, as provided
2 in Federal Rule of Civil Procedure 65(d)(2), the foregoing paragraph also binds the
3 following who receive actual notice of this Preliminary Injunction by personal service
4 or otherwise: (a) Defendants’ officers, agents, servants, employees, and attorneys; and
5 (b) other persons in active concert or participation with any of the Defendants or with
6 anyone described in (a).

7 **VIII.**

8 IT IS FURTHER ORDERED that the obligations of defendants TBIS, EHI,
9 and Stollaire each to prepare and deliver to the SEC a detailed and complete schedule
10 of all of their assets shall remain in effect. The accountings shall include all real and
11 personal property exceeding \$5,000 in value, and all bank, securities, and other
12 accounts identified by institution, branch address, and account number, and all digital
13 assets, digital currencies, virtual currencies, digital tokens, cryptocurrencies, digital
14 wallets, or other tangible, intangible, or digital funds or assets, wherever located. The
15 accountings shall include a description of the sources of all such assets. Such
16 accountings shall be filed with the Court and copies shall be delivered to the SEC to
17 the attention of David J. Van Havermaat, Trial Counsel no later than May 29, 2018.
18 After completion of the accountings, each of the Defendants shall produce to the SEC
19 at a time agreeable to the SEC, all books, records and other documents supporting or
20 underlying their accounting.

21 **IX.**

22 IT IS FURTHER ORDERED that any person who receives actual notice of this
23 Preliminary Injunction by personal service or otherwise, and who holds, possesses, or
24 controls assets exceeding \$5,000 for the account or benefit of any of the Defendants,
25 including any digital assets, digital currencies, virtual currencies, digital tokens,
26 cryptocurrencies, digital wallets, or other tangible, intangible, or digital assets,
27 wherever located, including any such assets held in any safe deposit box, shall within
28 5 days of receiving actual notice of this Preliminary Injunction provide counsel for

1 the SEC with a written statement identifying all such assets, the value of such assets,
2 or best approximation thereof, and any account numbers or account names in which
3 the assets are held.

4 **X.**

5 IT IS FURTHER ORDERED that the SEC may continue to conduct expedited
6 discovery concerning Defendants, their assets and activities, as previously granted in
7 the TRO, in lieu of the time periods, notice provisions, and other requirements of
8 Rules 26, 30, 33, 34, 36, and 45 of the Federal Rules of Civil Procedure and the
9 corresponding Local Rules of this Court, and that discovery shall proceed as follows:

10 (A) Pursuant to Rule 30(a) of the Federal Rules of Civil Procedure, the SEC
11 may take depositions upon oral examination on five days' notice of any such
12 deposition. Depositions may be taken Monday through Friday. As to the
13 Defendants, and their agents, servants, promoters, employees, brokers, and associates,
14 and any person who transferred money to or received money from any account(s) at
15 any of the bank, financial institution, brokerage firm, third-payment payment
16 processor, or coin exchange identified above, or any other holder or custodian of any
17 digital assets, digital currencies, virtual currencies, digital tokens, or cryptocurrencies
18 identified above, the SEC may depose such witnesses after serving a deposition
19 notice by facsimile, hand, or overnight courier upon such individuals, and without
20 serving a subpoena on such witness.

21 (B) Pursuant to Rule 33(a) of the Federal Rules of Civil Procedure, each
22 Defendant shall answer the SEC's interrogatories within fourteen days of service of
23 such interrogatories upon Defendant.

24 (C) Pursuant to Rule 34(b) of the Federal Rules of Civil Procedure, each
25 Defendant shall produce all documents requested by the SEC within fourteen days of
26 service of such request, with production of the documents made to David J. Van
27 Havermaat, U.S. Securities and Exchange Commission, Los Angeles Regional
28 Office, 444 S. Flower St., Suite 900, Los Angeles, California 90071, or such person

1 or place as counsel for the SEC may direct in writing.

2 (D) Pursuant to Rule 36(a) of the Federal Rules of Civil Procedure, each
3 Defendant shall respond to the SEC’s requests for admissions within fourteen days of
4 such requests;

5 (E) All written responses to the SEC’s requests for discovery under the
6 Federal Rules of Civil Procedure shall be delivered by hand or overnight courier to
7 the SEC to the attention of David J. Van Havermaat, U.S. Securities and Exchange
8 Commission, Los Angeles Regional Office, 444 S. Flower St., Suite 900, Los
9 Angeles, California 90071, or such other place and person as counsel for the SEC
10 may direct in writing; and

11 (G) All discovery requests and responses may be served via email, facsimile,
12 or by hand on counsel for the parties.

13 **XI.**

14 IT IS FURTHER ORDERED that Josias N. Dewey is appointed as permanent
15 receiver of defendant TBIS and its subsidiaries and affiliates, with full powers of an
16 equity receiver, including, but not limited to, full power over all funds, assets,
17 collateral, premises (whether owned, leased, occupied, or otherwise controlled),
18 choses in action, books, records, papers and other property belonging to, being
19 managed by or in the possession of or control of defendant TBIS and its subsidiaries
20 and affiliates, and that such receiver is immediately authorized, empowered and
21 directed:

22 A. to have access to and to collect and take custody, control, possession,
23 and charge of all funds, assets (including any digital assets, digital
24 currencies, virtual currencies, digital tokens of any kind,
25 cryptocurrencies, digital wallets, or private keys associated with any of
26 the foregoing, whether encrypted or not, or other tangible, intangible, or
27 digital assets, wherever located), collateral, premises (whether owned,
28 leased, pledged as collateral, occupied, or otherwise controlled), choses

1 in action, books, records, papers, and other real or personal property,
2 wherever located, of or managed by defendants TBIS and its subsidiaries
3 and affiliates (collectively, the “Assets”), with full power to sue,
4 foreclose, marshal, collect, receive, and take into possession all such
5 Assets (including access to and taking custody, control, and possession
6 of all such Assets);

7 B. to assume full control of defendant TBIS by removing, as the receiver
8 deems necessary or advisable, any director, officer, attorney,
9 independent contractor, employee, or agent of any of defendant TBIS
10 and its subsidiaries and affiliates, including any named defendant, from
11 control of, management of, or participation in, the affairs of defendant
12 TBIS;

13 C. to have control of, and to be added as the sole authorized signatory for,
14 all accounts of the entities in receivership, including all accounts at any
15 bank, title company, escrow agent, financial institution, brokerage firm
16 (including any futures commission merchant), or coin exchange, which
17 has possession, custody or control of any Assets, or which maintains
18 accounts over which defendant TBIS, and its subsidiaries and affiliates,
19 and/or any of their employees or agents have signatory authority;

20 D. to conduct such investigation and discovery as may be necessary to
21 locate and account for all of the assets (including any digital assets,
22 digital currencies, virtual currencies, digital tokens, cryptocurrencies,
23 digital wallets, or other tangible, intangible, or digital assets, wherever
24 located) of or managed by defendant TBIS and its subsidiaries and
25 affiliates, and to engage and employ attorneys, accountants and other
26 persons to assist in such investigation and discovery;

27 E. to take such action as is necessary and appropriate to preserve and take
28 control of and to prevent the dissipation, concealment, or disposition of

1 any Assets;

2 F. to choose, engage, and employ attorneys, accountants, appraisers, and
3 other independent contractors and technical specialists, as the receiver
4 deems advisable or necessary in the performance of duties and
5 responsibilities under the authority granted by this Preliminary
6 Injunction, including but not limited to, the law firm in which the
7 receiver is a partner;

8 G. to make accountings, as soon as practicable, to this Court and the SEC of
9 the assets and financial conditions of defendant TBIS and to file the
10 accountings with the Court and deliver copies thereof to all parties;

11 H. to make such payments and disbursements from the Assets taken into
12 custody, control, and possession or thereafter received by him, and to
13 incur, or authorize the making of, such agreements as may be necessary
14 and advisable in discharging his duties as permanent receiver;

15 I. to investigate and, where appropriate, to institute, pursue, and prosecute
16 all claims and causes of action of whatever kind and nature that may
17 now or hereafter exist as a result of the activities of present or past
18 employees or agents of defendant TBIS, and its subsidiaries and
19 affiliates;

20 J. to institute, compromise, adjust, appear in, intervene in, or become party
21 to such actions or proceedings in state, federal, or foreign courts, that (i)
22 the receiver deems necessary and advisable to preserve or recover any
23 Assets, or (ii) the receiver deems necessary and advisable to carry out
24 the receiver's mandate under this Preliminary Injunction; and

25 K. to have access to and monitor all mail, electronic mail, SMS, text, or
26 other messaging applications, and video phones of the entities in
27 receivership in order to review such mail, electronic mail, SMS, text, or
28 other messaging applications, and video phones which he deems relates

1 to his business and the discharging of his duties as permanent receiver.

2 **XII.**

3 IT IS FURTHER ORDERED that defendant TBIS and its subsidiaries and
4 affiliates, including all of the other entities in receivership, and their officers, agents,
5 servants, employees and attorneys, and any other persons who are in custody,
6 possession or control of any assets (including any digital assets, digital currencies,
7 virtual currencies, digital tokens, cryptocurrencies, digital wallets, or any private keys
8 associated with any of the foregoing, whether encrypted or not, or other tangible,
9 intangible, or digital assets of any of the Defendants, wherever located), collateral,
10 books, records, papers or other property of or managed by any of the entities in
11 receivership, shall forthwith give access to and control of such property to the
12 permanent receiver.

13 **XIII.**

14 IT IS FURTHER ORDERED that any person who receives actual notice of this
15 Preliminary Injunction by personal service or otherwise who holds, possesses, or
16 controls any account passwords, computer passwords, device PINs or passwords, or
17 cryptographic keys, including any such passwords or cryptographic keys held in any
18 manner in any safe deposit box or pursuant to any other bailee relationship, pertaining
19 in any manner to any assets of any of the Defendants (including any digital assets,
20 digital currencies, virtual currencies, digital tokens, cryptocurrencies, digital wallets,
21 or other tangible, intangible, or digital assets of any of the Defendants, wherever
22 located), shall within 5 days of receiving actual notice of this Order provide counsel
23 for the SEC and the permanent receiver with continuing access to all such account
24 passwords, computer passwords, device PINs or passwords, and cryptographic keys,
25 which, if stored in an encrypted state, shall be provided in an unencrypted state.

26 **XIV.**

27 IT IS FURTHER ORDERED that no officer, agent, servant, employee, or
28 attorney of defendant TBIS shall take any action or purport to take any action, in the

1 name of or on behalf of defendant TBIS without the written consent of the permanent
2 receiver or order of this Court.

3 **XV.**

4 IT IS FURTHER ORDERED that, except by leave of this Court, during the
5 pendency of this receivership, all clients, investors, trust beneficiaries, note holders,
6 creditors, claimants, lessors, and all other persons or entities seeking relief of any
7 kind, in law or in equity, from defendant TBIS, or its subsidiaries or affiliates, and all
8 persons acting on behalf of any such investor, trust beneficiary, note holder, creditor,
9 claimant, lessor, consultant group, or other person, including sheriffs, marshals,
10 servants, agents, employees, and attorneys, are hereby restrained and enjoined from,
11 directly or indirectly, with respect to these persons and entities:

- 12 A. commencing, prosecuting, continuing or enforcing any suit or
13 proceeding (other than the present action by the SEC or any other action
14 by the government) against any of them;
- 15 B. using self-help or executing or issuing or causing the execution or
16 issuance of any court attachment, subpoena, replevin, execution or other
17 process for the purpose of impounding or taking possession of or
18 interfering with or creating or enforcing a lien upon any property or
19 property interests owned by or in the possession of defendant TBIS; and
- 20 C. doing any act or thing whatsoever to interfere with taking control,
21 possession or management by the permanent receiver appointed
22 hereunder of the property and assets owned, controlled or managed by or
23 in the possession of defendant TBIS, or in any way to interfere with or
24 harass the permanent receiver or his attorneys, accountants, employees,
25 or agents or to interfere in any manner with the discharge of the
26 permanent receiver's duties and responsibilities hereunder.

27 **XVI.**

28 IT IS FURTHER ORDERED that defendant TBIS and its subsidiaries,

1 affiliates, officers, agents, servants, employees, and attorneys, shall cooperate with
2 and assist the permanent receiver and shall take no action, directly or indirectly, to
3 hinder, obstruct, or otherwise interfere with the permanent receiver or his attorneys,
4 accountants, employees, or agents, in the conduct of the permanent receiver's duties
5 or to interfere in any manner, directly or indirectly, with the custody, possession,
6 management, or control by the permanent receiver of the funds, assets, collateral,
7 premises, and choses in action described above.

8 **XVII.**

9 IT IS FURTHER ORDERED that defendant TBIS, and its subsidiaries and
10 affiliates, shall pay the costs, fees and expenses of the permanent receiver incurred in
11 connection with the performance of his duties described in this Preliminary
12 Injunction, including the costs and expenses of those persons who may be engaged or
13 employed by the permanent receiver to assist him in carrying out his duties and
14 obligations. The permanent receiver's fees, including all fees and costs for the
15 permanent receiver and all others retained to assist in the administration and
16 liquidation of the receivership estate, shall not exceed \$125,000 during the initial 30
17 days of the receivership. Further fee limitations, if any, will be set by the Court. All
18 applications for costs, fees, and expenses for services rendered in connection with the
19 receivership other than routine and necessary business expenses in conducting the
20 receivership, such as salaries, rent, and any and all other reasonable operating
21 expenses, shall be made by application setting forth in reasonable detail the nature of
22 the services and shall be heard by the Court.

23 **XVIII.**

24 IT IS FURTHER ORDERED that no bond shall be required in connection with
25 the appointment of the permanent receiver. Except for an act of gross negligence, the
26 permanent receiver shall not be liable for any loss or damage incurred by any of the
27 defendants, their officers, agents, servants, employees, and attorneys or any other
28 person, by reason of any act performed or omitted to be performed by the permanent

1 receiver in connection with the discharge of his duties and responsibilities.

2 **XIX.**

3 IT IS FURTHER ORDERED that representatives of the SEC and any other
4 government agency are authorized to have continuing access to inspect or copy any
5 or all of the corporate books and records and other documents of defendant TBIS, and
6 the other entities in receivership, and continuing access to inspect their funds,
7 property, assets, and collateral, wherever located.

8 **XX.**

9 IT IS FURTHER ORDERED that this Court shall retain jurisdiction over this
10 action for the purpose of implementing and carrying out the terms of all orders and
11 decrees that may be entered herein and to entertain any suitable application or motion
12 for additional relief within the jurisdiction of this Court.

13
14 IT IS SO ORDERED.

15
16 Dated: 5/30/18



17
18 HONORABLE DALE S. FISCHER
19 UNITED STATES DISTRICT JUDGE
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Holland & Knight

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Tracy S. Combs, Esq.
Director, Salt Lake City Regional Office
U.S. Securities and Exchange Commission
351 S. West Temple Street, Suite 6.100
Salt Lake City, UT 48101

July 24, 2023

VIA E-MAIL

Re: Application for Consideration as Receiver in *The Matter of Digital Licensing Inc.*

Dear Ms. Combs:

Thank you for the opportunity to apply for consideration as the SEC's proposed Receiver candidate in *The Matter of Digital Licensing Inc.* (SL-02891) (the "Matter").¹ This letter describes, among other things:

- My own qualifications and those of the core team of attorneys I intend to work with if selected by the SEC for recommendation and appointed by the Court in this Matter;
- Our prior relevant prior experience in other digital asset enforcement actions;
- Some of our team's unique capabilities that will be useful in this Matter;
- Proposed fee arrangements and rates; and
- Initial near-term and long-term action plans.

Accompanying this letter are (i) a completed Application for Consideration as Receiver; and (ii) a PowerPoint deck providing supplemental details of Holland & Knight's receivership experience and my receivership plan (the "Deck").

I. Candidate and Team

Members of the Holland & Knight team, detailed below, have successfully served as, represented, and worked closely with, Receivers and Distribution Agents in multiple SEC enforcement

¹ Neither I, nor Holland & Knight, have any conflicts in connection with this Matter, and we agree to disclose any conflicts that may arise during this Matter.

actions, including several related to digital assets. We are all active members of our firm's Digital Assets and Blockchain Technology Team, of which I am also Chair.

Josias ("Joe") Dewey – Partner

I am a nationally recognized thought leader on blockchain and distributed ledger technology. I co-authored the book *The Blockchain: A Guide for Legal and Business Professionals*. As further detailed below and in the attached, I was previously appointed Receiver by the SEC in the *TBIS* matter and served as counsel to the Distribution Agent in the *Middleton* matter where I oversaw the first-of-its-kind return of millions of dollars to defrauded investors related to initial coin offerings. I am also an experienced software developer and have created workflow applications designed to reduce transaction costs, decrease the risks of human error, and improve communication—all applications necessary for the successful operation of a crypto-related receivership. Outside of the digital assets space, I have significant experience as a finance and real estate attorney, and my practice encompasses a broad range of asset classes and transaction structures, including real estate financing, asset based lending, and syndicated transactions.

Jessica Magee – Partner

Jessica Magee is a Chambers-ranked trial attorney, a former SEC enforcement senior officer, and co-Chair of Holland & Knight LLP's Securities Enforcement Team. As detailed further below, while at the SEC, Ms. Magee was deeply involved in two first-of-their-kind enforcement actions based on misconduct involving cryptocurrencies. As an Assistant Director, Regional Trial Counsel, and later as Associate Regional Director for Enforcement, Ms. Magee was one of the early members of the Enforcement Division's management group who focused enforcement resources to prioritize her team's understanding and investigation of crypto- and digital asset-related matters. In addition, Ms. Magee has significant experience working with and advising court-appointed Receivers and leading investigations and trial teams.

Scott Mascianica – Partner

Scott Mascianica is an experienced investigative and litigation attorney and co-chair of Holland & Knight's Securities Enforcement Team. Mr. Mascianica served for nearly a decade at the SEC in various supervisory roles, including as Assistant Regional Director for the SEC's Division of Enforcement for the Fort Worth Region and Assistant Director of the Enforcement Division's Asset Management Unit. In these roles, as further detailed below, Mr. Mascianica oversaw the appointment of several Receivers in SEC enforcement actions and supervised many of the SEC's digital asset and cybersecurity investigations in the Fort Worth region, including one of the agency's first enforcement actions involving an unregistered exchange offering digital asset securities. Prior to his time at the SEC, Mr. Mascianica's practice included representing trustees and Receivers. He has also worked as a financial forensic consultant at a Big Four accounting firm.

Andrew Balthazor – Associate Attorney

Andrew Balthazor is a former United States Army military intelligence offer who now applies his wartime intel skills to investigating cryptocurrency malfeasance. Mr. Balthazor has a broad understanding of the legal nuances relating to all forms of digital assets. Mr. Balthazor has been recognized for his development and implementation of the world's first service of legal notice via non-fungible token. Mr. Balthazor has significant experience on receiverships and fair fund distributions, having previously handled integral roles on both the *TBIS* and *Middleton* matters detailed herein. Mr. Balthazor holds a Bachelor of Science in Computer Science from the United States Military Academy, West Point.

Alex Englander – Associate Attorney

Alex Englander is a former engineer who uses his technical and programming skills to identify, understand, and overcome the novel obstacles presented by complex digital asset businesses, including the increased use of smart contracts. Mr. Englander holds Bachelor and Master of Science degrees in Nuclear Engineering from the University of Florida and, prior to becoming an attorney, he directed operations and training onboard moored naval nuclear submarines. In *TBIS* and *Middleton*, Mr. Englander evaluated over a thousand investor claims and wrote code to validate the putative loss amounts. The output of Mr. Englander’s computer scripts was recently validated via an independent third-party review. Mr. Englander can code in a variety of computer languages, including Python and Solidity—the primary languages utilized in crypto-related applications.

Dennis González - Associate Attorney

Dennis González holds a Bachelor of Science degree in Finance and a minor in Spanish from the University of Miami. Prior to becoming an attorney, Mr. González worked as a financial advisor for a multinational bank and as an investment analyst for a large New York City developer. Additionally, Mr. González co-founded three software companies spanning from mobile applications to biometric capturing hardware devices, one of which was granted a USPTO approved patent. As an attorney, Mr. González has extensive experience investigating complex networks of financial fraud on various blockchains. In the *TBIS* matter, Mr. González administered and enhanced a claim validation system deployed on the Ethereum blockchain, independently calculated complex claims, and distributed more than \$3.5 million worth of ether to hundreds of claimants around the world.

II. Relevant Experience Serving as Digital Assets Receiver and Distribution Agent

a. *SEC v. Titanium Blockchain Infrastructure Servs., Inc.*, Case No. 18-cv-4315 (C.D. Cal. 2018) (“*TBIS*”)

In *TBIS*, defendants fraudulently raised over \$21 million in digital asset securities through an initial coin offering. The SEC filed claims for, among other things, the offer and sale of unregistered securities in violation of Section 5 of the Securities Act of 1933 (“Securities Act”) and violations of the antifraud provisions under the Securities Act and Securities and Exchange Act of 1934 (“Exchange Act”).

At the SEC’s recommendation, the *TBIS* court appointed me as Receiver over the corporate defendants. As Receiver, I was responsible for investigating the defendants’ activities, tracing stolen digital assets, and facilitating their recovery on a global scale. My team and I managed an estate of over \$6 million, largely comprised of cryptocurrencies such as Ether (“ETH”) and Bitcoin (“BTC”). In connection with the receivership, my team and I developed plans and methodologies for evaluating victims’ claims and loss amounts, apprised the SEC and the court of key updates, distributed assets, and efficiently wound up of the estate.

This matter highlighted our team’s technical acumen, creativity, and efficiency within an SEC receivership. The *TBIS* claims were exceedingly difficult to assess, given the nature of the fraud and the defendants’ inconsistent and haphazard issuance of two tokens (BAR and TBAR). The team developed a proprietary process to not only automatically validate over 1,000 claims for Ethereum protocol conformity, but also to sort out illegitimate claims. Additionally, the team applied its technological skills to develop an algorithm to calculate losses, using a combination of blockchain ledger information, pricing data, and associated claimant information to calculate cost basis and loss information for each

claimant.² The team also executed the first multi-million dollar distribution of claim payouts via cryptocurrency by coding a program to execute ETH distributions, which involved reading claim files, interacting with Coinbase’s API, and issuing payments over the blockchain.³

As a result of the Receivership’s efforts, all eligible claimants received a pro-rata return of approximately 91% of their losses.

b. *SEC v. Middleton, Case No. 19-cv-4625 (E.D.N.Y. 2019) (“Middleton”)*

In *Middleton*, the SEC filed claims against entity defendants Veritaseum, Inc. and Veritaseum, LLC, and their owner for violating Section 5 of the Securities Act and the antifraud provisions of the Securities Act and Exchange Act. The court ultimately entered a final judgment ordering the defendants to pay disgorgement and civil penalties totaling approximately \$9.5 million. The SEC established a Fair Fund in order to return collected funds to the victims of the defendants' scheme.

At the SEC’s recommendation, the *Middleton* court appointed Holland & Knight as the Fair Fund Distribution Agent. As Distribution Agent, the firm was responsible for, among other things, overseeing the administration and distribution of the Fair Fund to harmed investors.

In this matter, our team overcame significant obstacles to validate claims by investors and determine claimants’ losses. The claims contained a confounding mix of ICO transactions, secondary market transactions, centralized and decentralized exchange transactions, and off-chain agreements and sales. The team developed efficient protocols for validating the claims in connection with these different transactions and created a fair loss calculation methodology. Notably, the team’s careful review identified several claimants with apparent connections to the defendants, preserving over \$8 million in additional assets for the true victims of the fraud. EisnerAmper Group conducted a third-party review of the *Middleton* Fair Fund and concluded the Holland & Knight team executed procedures in conformity with the court-ordered claims and distribution plans.

The team’s diligence and efficient data-driven protocols resulted in all eligible claimants receiving back 100% of their losses plus reasonable interest.

c. Other Relevant Work

Prior to joining the SEC, Ms. Magee represented the SEC’s court-appointed Receiver in *SEC v. Millennium Bank*, Case No. 09-CV-050 (N.D. Tex. 2009), where she was responsible for leading the Receiver’s efforts to identify and secure assets, investigate and pursue claims, and distribute proceeds to harmed investors and creditors. Ms. Magee also worked on the attorney team for the court-appointed

² The team analyzed relevant addresses for eligible BAR or TBAR transactions. For claimants who provided addresses with eligible transactions, our automated process delivered to them purpose-built control tokens to verify their control over the claimed addresses. This novel, scalable process effectively overcame the unique challenges of dealing with claimants—and sorting out illegitimate claimants as needed—through the veil of blockchain pseudonymity.

³ Specifically, the team provided claimants with the opportunity to receive their claim payments via USD check or ETH. USD checks were available as an option for claimants who preferred fiat currency—and checks served as a backup distribution channel when the team was unable to verify the claimant’s continued control of a valid Ethereum address. However, a significant portion of claimants elected to receive their distribution in ETH. Distributing ETH reduced transaction costs, particularly because the estate’s assets were largely held in ETH. Further, payout via the blockchain was less expensive than the issuance of paper checks in USD—reducing administrative overhead—and instantly reached the class of globally-situated claimants.

Receiver in *SEC v. Stanford International Bank, Ltd.*, Case No. 3-09CV0298 (N.D. Tex. 2009). While on staff in the SEC's Division of Enforcement, Ms. Magee served as trial counsel in *SEC v. Shavers*, Case No. 13-CV-416 (E.D. Tex. 2013), the first enforcement action in which the court concluded that the SEC established the existence of an investment contract in connection with transactions involving digital assets and granted summary judgment in favor of the SEC. Ms. Magee also supervised the investigation and early enforcement action efforts in *SEC v. AriseBank*, Case No. 3-18-cv-0186 (N.D. Tex. 2018), the first enforcement action in which the SEC sought and obtained appointment of a Receiver in a digital assets enforcement action. That action, like this Matter, involved the potential loss or dissipation of digital assets, and Ms. Magee and the team worked collaboratively with the Receiver, FBI, and others to mitigate that risk of further harm to defrauded investors.

Additionally, prior to joining the SEC, Mr. Mascianica represented the SEC's court-appointed Receiver in *SEC v. PrivateFX Global One*, Case No. 09-CV-1540 (S.D. Tex. 2009), an \$85 million offering fraud. Moreover, while at the SEC, Mr. Mascianica investigated, served as trial attorney and later supervised the agency's enforcement action *SEC v. Faulkner*, Case No. 16-cv-01735-D (N.D. Tex. 2016), a large-scale oil and gas offering and disclosure fraud involving more than \$80 million in investor losses. The matter involved the rare-contested appointment of a Receiver in the middle of litigation, where the SEC prevailed. Furthermore, Mr. Mascianica served as trial attorney for the SEC's appointment of a Receiver in *SEC v. Howard*, Case No. 17-cv-00420 (N.D. Tex. 2017), an offering fraud involving more than \$13 million in investor losses. Concerning digital asset-related frauds, Mr. Mascianica has extensive experience investigating and supervising investigations into the type of misconduct which may have occurred in this Matter. *See, e.g., SEC v. Chiang*, Case No. 22-cv-0600 (S.D. Cal. 2022); *SEC v. Bitqyck, Inc.*, Case No. 3:19-cv-2059 (N.D. Tex. 2019); *SEC v. IPool Ltd. a.k.a. IBroker*, Case No. 18-cv-02244 (D.D.C. 2018).

III. Unique Capabilities

Our team is uniquely qualified to serve as counsel to the Receiver in this Matter. We have developed practices and methodologies we intend to leverage in this Matter if proposed to, and appointed by, the court.

Validated Programs: As detailed above, Holland & Knight has developed proprietary protocols adaptable to a variety of crypto- and digital asset-related claim evaluations. The use of these programs and protocols in future engagements will result in reduced administrative overhead without sacrificing reliability of claim validations or loss calculations. The team has since applied versions of these protocols in other contexts involving digital assets, including financial fraud, crypto theft, cross-border insolvencies, and internal investigations.

Digital Asset Recovery: Holland & Knight's digital assets team has experience locating and recovering a variety of digital assets. Our team accomplishes this task using both legal and practical solutions, including smart contract analysis, blockchain tracing, locating control-entities susceptible to court orders, and managing off-chain asset repositories, such as cold storage and paper wallets. The firm has successfully recovered digital assets on a variety of blockchains.

Traditional Asset Recovery: Our Asset Recovery group is one of the most recognized and active asset recovery teams practicing in the United States, and includes experienced lawyers and professionals dedicated to recovering assets for liquidators, trustees, receivers, judgment and award creditors, and victims of financial fraud. Using novel approaches, the firm has traced and recovered billions of dollars

in connection with claw-backs and fraudulent conveyance claims, cross-border insolvencies, cybercrimes, and other causes of action.

Dedicated Oil and Gas Practice: Unlike many global law firms, Holland & Knight has a dedicated oil and gas practice group that includes subject matter expertise throughout the up, mid, and down-stream business cycle as well as on matters of regulatory compliance, investigations, and litigation. Given the appearance that this Matter will require analysis of facts and law at the intersection of digital assets and the oil and gas and related mining industries, we can draw upon existing in-house expertise and third-party relationships on an efficient, as-needed basis.

Diversity of Talent: Holland & Knight's workforce is spread across 31 domestic and international offices, and we cover all major markets in the United States. Our firm's attorneys speak over 30 languages, work in over 300 practice areas, and have a joint commitment to delivering the best results possible for our clients. The firm is committed to recruiting diverse talent, recognizing that diverse and inclusive teams produce better results. We are structured in a manner that allows attorneys and professionals to work in tandem, regardless of geographic location, ensuring the best specialized talent is available for each matter.

Database Management: Holland & Knight's internal development team creates efficient systems and has demonstrated experience and success establishing bespoke and proprietary tools and methods for addressing tracing, claims assessment, service of process, and other challenges that arise in connection with digital asset-related investigations and litigation. The firm's in-house database management system is customizable and can meet the needs of virtually any project. Database connections can be established securely through several methods, permitting collaboration with other vendors, if necessary. By minimizing the need to outsource data management to outside vendors, Holland & Knight's technical dexterity allows it to offer services at a competitive rate and with greater alacrity—resulting in greatly reduced friction points.

Knowledge of Asset Classes: Holland & Knight has extensive regulatory and technical experience across all aspects of the digital asset and distributed ledger space. First and foremost, our firm has particular expertise and *Chambers*-ranked professionals who specialize in SEC, investigative, white-collar, and regulatory enforcement matters and related litigation. Additionally, our firm's attorneys have expertise across the range of regulations potentially applicable to digital asset service providers, exchanges, ATSS, broker-dealers, banks, custodians, and financial institutions, including BSA and AML compliance, OCC guidance, OFAC concerns, FinCEN obligations, and state-specific money transmission and digital asset licensing requirements.

Technical Acumen: Holland & Knight's professional expertise is uniquely supplemented by our technical acumen. In support of our team's receivership and distribution agent work, we have, among other things 1) audited, written, and deployed smart contracts; 2) issued proprietary purpose-built tokens; and 3) written programs to scrape blockchain transactional data. As detailed in the *TBIS* and *Middleton* matters detailed above, we have applied these skillsets to prevent asset dissipation or loss, develop proprietary methodologies for blockchain-related loss calculations, trace and marshal assets, and distribute claim payments via blockchain.

Distribution Plan Drafting: Holland & Knight has first-hand experience drafting and executing claim and distribution plans involving digital assets. As evidenced by our firm's work in *TBIS* and *Middleton*, we can draft and execute a distribution plan uniquely customized to the engagement's specific requirements while avoiding the many pitfalls present with blockchain technologies.

Bankruptcy: Holland & Knight insolvency attorneys represent clients both in litigation and out-of-court restructurings and transactions. Members of Holland & Knight's bankruptcy practice are adept at restructuring debtors and preserving the interests of equity holders. The group's experience extends to representing asset acquirers, parties to fiduciary duty litigation, and foreign representatives seeking U.S. recognition and pursuing enforcement actions. Our lawyers have acted as trustees, examiners, and receivers, and we have strong international relationships with foreign liquidators in connection with our cross-border Asset Recovery practice. As part of our Chapter 15 practice, we identify and trace digital assets and assist liquidators in assembling a comprehensive financial picture of insolvent digital asset businesses.

Industry Relationships: Whether it be liquidation of an estate's digital asset holdings, on-chain distribution, or claimant communication, Holland & Knight leverages its strong relationships with key firms in the claims administration and digital asset industries. For instance, we have extensive experience working with claims administration firms like Kroll, accounting firms with digital asset experience, such as EisnerAmper Group, digital asset tracing firms like CipherTrace, and all of the major digital asset exchanges. In addition, we have long-standing relationships with accounting, forensics, and professional practice teams at the major accounting and consultancy firms including each of the Big Four, Stroz Friedberg, FTI, Ankura, and Alix Partners.

Fee Flexibility: Our team members have the skills, resources, and actual experience needed to serve as Receiver, Distribution Agent, and counsel thereto in the SEC's digital asset enforcement actions, and the firm has highly competitive rates relative to comparable firms. Although the facts and circumstances of each case are unique, Holland & Knight will always consider material rate reductions and offer rate flexibility. The firm has entered into creative fee arrangements including phased scope-of-work, fee caps, significantly discounted travel rates, and other contingency or alternative fee arrangements.

IV. Overview of Receivership Plan

As a fiduciary to the court, investors, and other stakeholders in the estate, the proposed team and I understand the importance of promptly, efficiently, and credibly executing a phased scope of work designed at the outset to (i) minimize risk—primarily including the loss of assets or information—and (ii) maximize assets in the estate. As reflected in detail in the attached Deck, my team and I have developed a dynamic and multi-faceted framework to accomplish key Receivership objectives concerning the necessary investigative, administrative, and legal steps to maximize recovery for the investor victims. We have used the time since our initial correspondence to conduct necessary investigative benchmarking and preparation activities to immediately engage in necessary steps following appointment, with a particular focus on the critical 48-72 hours following appointment to limit asset and evidence dissipation. Moreover, based on the team's extensive experience with Receiverships, we will be able to adjust and modify, as necessary, our proposed approach as we learn more information about the Matter from you and your team.

V. Fee Structure

As Receiver, I will supervise all work performed and will be ultimately responsible for the conduct of the Receivership. I will be aided by my colleagues, Ms. Magee and Mr. Mascianica, who will perform supervisory and strategic roles in the Receivership. The well qualified and experience-tested

core team of associates, listed above, aided by paralegals and support staff, will perform much of the day-to-day work of the Receivership.

We are aware that Receivership legal expenses can have a significant impact on victim recovery. As a result, although Holland & Knight's partner rates are already 6% below standard peer firm rates and our associate rates are 13% below peer firms, we are offering additional and significant rate reductions to handle this work, along with other flexibility in connection with this Matter to minimize the impact on the Receivership estate. Please note that, given the limited information we currently have concerning the Matter, we remain open to modifying the proposed structure below.

Name	Title (Role)	Current Hourly Billing Rate	Proposed Discounted Hourly Billing Rate
Josias Dewey	Partner (Receiver Candidate)	\$980	\$750
Jessica Magee	Partner (Counsel to Receiver)	\$1115	\$750
Scott Mascianica	Partner (Counsel to Receiver)	\$1025	\$750
Andrew Balthazor	Associate (Counsel to Receiver)	\$555	\$450
Dennis González	Associate (Counsel to Receiver)	\$560	\$450
Alex Englander	Associate (Counsel to Receiver)	\$540	\$450
Variety	Paralegal (Counsel to Receiver)	\$325	\$195

Moreover, our proposal includes several additional components to minimize legal spend, enhance flexibility, and incentivize my team to maximize recovery for the benefit of the victim investors:

- During the most critical phase of the engagement—the first 30 days—we are willing to cap our fees at \$200,000 regardless of the amount of time spent to execute the necessary tasks.
- We are willing to provide a 20% holdback on all subsequent quarterly fee applications, reserving such amounts until the final fee application.
- For ancillary litigation related to the recovery of Receivership assets, we are willing to engage in contingency and success fee arrangements. Although such details will need to be discussed further once we have more information about the Matter, we are confident that this approach will limit the legal spend and align the incentives of the Holland & Knight team with the victims in this matter.
- We are also willing to engage in a quarterly rate re-assessment with your team to evaluate whether the proposed rate structure is continuing to serve its purposes.

I know the SEC has its choice of qualified, capable professionals to serve as court-appointed fiduciaries when the stakes are high, and time is of the essence to halt ongoing fraud and protect investor interests. I am proud to present our firm's capabilities and for our professionals to be considered for appointment as a Receiver in the SEC's digital asset enforcement actions.

Respectfully,
HOLLAND & KNIGHT LLP

A handwritten signature in blue ink, appearing to read "Josias N. Dewey". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Josias N. Dewey

Partner

Chair, Digital Assets and Blockchain Technology