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CENTRAL DISTRICT OF CALIFORNIA
BY: CS DEPUTY

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15 UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA

17 SECURITIES AND EXCHANGE
18 COMMISSION,

19 Plaintiff,

20 vs.

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

26 Defendants.

Case No. CV18-4315-DSF(JPRx)

**PLAINTIFF SECURITIES AND
EXCHANGE COMMISSION'S EX
PARTE APPLICATION FOR A
TEMPORARY RESTRAINING ORDER
AND ORDERS: (1) FREEZING
ASSETS; (2) PROHIBITING THE
DESTRUCTION OR ALTERATION
OF DOCUMENTS; (3) GRANTING
EXPEDITED DISCOVERY; (4)
REQUIRING ACCOUNTINGS; AND
(5) APPOINTING A TEMPORARY
RECEIVER; AND ORDER TO SHOW
CAUSE RE PRELIMINARY
INJUNCTION AND APPOINTMENT
OF A PERMANENT RECEIVER**

1 Plaintiff Securities and Exchange Commission (“SEC”) applies pursuant to
2 Fed. R. Civ. P. 65(b) for a Temporary Restraining Order prohibiting defendants
3 Titanium Blockchain Infrastructure Services, Inc. (“TBIS”), EHI Internetwork and
4 Systems Management, Inc. aka EHI-INSH, Inc. (“EHI”), and Michael Alan Stollery
5 aka Michael Stollaire (“Stollaire”) from committing violations of the antifraud and
6 registration provisions of the federal securities laws, and for orders freezing assets,
7 appointing a temporary receiver over defendant TBIS, prohibiting the destruction or
8 alteration of documents, granting expedited discovery, and requiring accountings
9 from each of the defendants. In addition, the SEC applies for an Order to Show
10 Cause Re Preliminary Injunction and Appointment of a Permanent Receiver. This
11 Application is based on the SEC’s complaint, as well as its accompanying
12 Memorandum of Points and Authorities, its supporting declarations and exhibits, and
13 any such other evidence and argument as the Court may receive and permit.

14 **A. Basis for Waiver of Notice Under Rule 65(b)**

15 Counsel for the SEC has not advised the defendants or their counsel of the
16 date, time, or substance of its Application, and the SEC applies for emergency
17 injunctive relief on an *ex parte* basis. Waiver of notice to the defendants is
18 appropriate pursuant to Fed. R. Civ. P. 65(b) and Local Rule 7-19.2 because the
19 specific facts set forth in the evidence submitted with the Application establish that
20 immediate and irreparable injury, loss, or damage will result if the defendants are
21 notified of the SEC’s Application prior to it being heard. This is true because the
22 defendants’ fraudulent scheme is ongoing.

23 As set forth in more detail in the SEC’s supporting papers, this case concerns
24 ongoing investment fraud arising from the defendants’ fraudulent offer and sale of
25 unregistered securities under the guise of selling “tokens” or “cryptocurrency.”
26 Beginning in November 2017, Stollaire orchestrated a fraudulent initial coin offering
27 (“ICO”) of a digital asset called “BAR”—raising as much as \$21 million from
28 investors in the U.S. and abroad. Purportedly designed to “crowdfund” a

1 decentralized information technology services platform to be provided by two
2 Stollaire-controlled entities, defendants TBIS and EHI, the BAR digital assets were
3 useless when sold, but supposedly would be used at some point in the future on a
4 TBIS “platform” that did not yet exist. In reality, the ICO was based on a slew of
5 outright deceptions by Stollaire.

6 To induce investors, Stollaire misleadingly hyped TBIS as the world’s next
7 Amazon or Microsoft in the field of cloud computing. Stollaire falsely proclaimed
8 that nearly thirty well-known corporations —and the U.S. Federal Reserve —were
9 “clients” of EHI and imminent users of TBIS’s services, plastering these household
10 brand names and logos throughout TBIS’s investment whitepapers and TBIS’s and
11 EHI’s websites, when in fact they had little to no relationship with Stollaire or EHI
12 and no relationship with TBIS. Stollaire enhanced this fiction with fabricated or
13 misleading testimonials from employees purportedly at some of these companies,
14 which he featured on EHI’s and TBIS’s websites alongside the names and logos. He
15 also claimed that TBIS owned multiple intellectual property rights in its slogans and
16 services, when it actually had none. While raising millions of dollars on these false
17 pretenses, Stollaire commingled the ICO investors’ funds with his personal funds,
18 using the offering proceeds to pay for personal expenses unrelated to TBIS or EHI,
19 such as the utility bill for Stollaire’s Hawaii condominium.

20 In February 2018, Stollaire began receiving cease-and-desist letters from some
21 of the companies whose names and logos he was using falsely without their
22 permission, representing to several such companies that he would remove them
23 immediately. Shortly thereafter, Stollaire proclaimed an “illegal theft” of 16 million
24 digital assets from TBIS’s digital wallet, announcing that TBIS would issue a new
25 digital asset, “TBAR,” to replace BAR. After this incident, Stollaire suddenly began
26 advertising TBIS’s business prospects not as household U.S. company names, but
27 instead as “billion dollar companies” in non-U.S. emerging markets, and claiming
28 that TBAR was available for purchase by Chinese citizens only. Stollaire’s

1 deceptions about TBIS, EHI, and their business prospects continue to this day, with a
2 significant portion of BAR and TBAR digital assets under their control, and no
3 protection—absent Court order—against his continued violations.

4 The SEC submits that, if the defendants are given notice of the Application,
5 they will continue their fraudulent scheme and may dissipate and misuse funds from
6 new and existing investors, thus placing the funds beyond the reach of the Court. The
7 risk of dissipation of investor funds is heightened because this case involves digital
8 assets, some of which appear to be held at foreign coin exchanges, which can be
9 transferred or secreted nearly instantaneously and are extremely difficult to trace.
10 The danger of asset dissipation and continuing unlawful conduct are each
11 independently accepted bases for granting a temporary restraining order without
12 notice under Rule 65(b). *See, e.g., SEC v. Schooler*, No. 12–CV–2164–LAB–
13 JMA2012 WL 4049956, at *2 (S.D. Cal. Sept. 13, 2012); *3BA Int’l LLC v. Lubahn*,
14 No. C10–829RAJ, 2010 WL 2105129, at *5 (W.D. Wash. May 20, 2010). The
15 Court’s immediate intervention would help prevent continuing violations of the
16 federal securities laws and preserve the *status quo*. *See Granny Goose Foods, Inc. v.*
17 *Brotherhood of Teamsters & Auto Truck Drivers*, 415 U.S. 423, 439 (1974) (purpose
18 of temporary restraining order is “preserving the status quo and preventing
19 irreparable harm just so long as is necessary to hold a [preliminary injunction]
20 hearing, and no longer”).

21 **B. Request to File the TRO Application under Seal**

22 Because its Application is made without notice, the SEC has concurrently filed
23 a separate *ex parte* application that the Court seal this Application and the supporting
24 documents. The requested sealing order is of limited duration—the SEC asks only
25 that the documents be sealed until three business days after the Court issues its
26 decision. The SEC makes this request for two reasons. First, the SEC has been
27 informed that the Federal Bureau of Investigation is conducting a parallel and
28 separate investigation into this matter, and that it intends to undertake affirmative

1 actions including obtaining and executing warrants for property and/or devices
2 belonging to one or more of the Defendants and conducting interviews of the
3 individual Defendant and associated persons. The SEC has been informed that the
4 FBI intends to take such actions on Thursday, May 24, 2018. Second, the SEC
5 requests that the Application and supporting documents be filed under seal to prevent
6 the defendants from transferring or secreting assets, including digital assets that can
7 be moved nearly instantaneously, until the Court has issued a ruling on the SEC's
8 Application. If the papers are not filed under seal, posting them on PACER would
9 make the Application and supporting papers publicly available, defeating the purpose
10 of filing the Application without notice. If the defendants receive notice of the matter
11 before the Court issues its ruling, they may destroy or alter materials that may be the
12 subject of the FBI's search warrants, or they may transfer, dissipate, or conceal assets
13 before the requested asset freeze is put in place.

14 **C. Relief Requested**

15 Because of the ongoing nature of the fraudulent scheme, the SEC seeks to
16 temporarily enjoin the defendants from violating Section 17(a) of the Securities Act
17 of 1933 (the "Securities Act"), 15 U.S.C. §§ 77q(a) and Section 10(b) of the
18 Securities Exchange Act of 1934 and Rule 10b-5 thereunder. 15 U.S.C. § 78j(b);
19 C.F.R. § 240.10b-5. The SEC also seeks to temporarily enjoin defendant TBIS and
20 Stollaire from violating Section 5 of the Securities Act, 15 U.S.C. § 77e.

21 Because of the danger that the defendants will dissipate investor funds, the
22 SEC also seeks to freeze the assets of the each of the defendants and their subsidiaries
23 and affiliates. The SEC further requests that the Court appoint a receiver over
24 defendant TBIS and its subsidiaries and affiliates. The SEC further requests orders
25 prohibiting the destruction or alteration of documents, granting expedited discovery,
26 and requiring the defendants to provide accountings. Finally, the SEC requests an
27 order to show cause why a preliminary injunction should not be granted and a
28 permanent receiver appointed.

1 **D. Local Rule 7-19 Disclosure**

2 Pursuant to Local Rule 7-19, the SEC is not aware of counsel representing any
3 of the defendants.

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5 Dated: _____

Respectfully submitted,
6 /s/ David J. Van Havermaat
7 David J. Van Havermaat
8 David S. Brown
9 Attorneys for Plaintiff
 Securities and Exchange Commission

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