

1 HOLLAND & KNIGHT LLP
2 Kristina S. Azlin (SBN 235238)
3 kristina.azlin@hklaw.com
4 400 South Hope Street, 8th Floor
5 Los Angeles, California 90071
6 Telephone 213.896.2400
7 Facsimile 213.896.2450

8 Jose A. Casal (*pro hac vice*)
9 jose.casal@hklaw.com
10 Mitchell E. Herr (*pro hac vice*)
11 mitchell.herr@hklaw.com
12 701 Brickell Avenue, Suite 3300
13 Miami, Florida 33131
14 Telephone 305.789.7736

15 *Attorneys for Josias Dewey, Court-appointed*
16 *Receiver for TBIS*

17
18 **UNITED STATES DISTRICT COURT**
19 **CENTRAL DISTRICT OF CALIFORNIA**
20 **WESTERN DIVISION**

21 **SECURITIES AND EXCHANGE**
22 **COMMISSION,**

23 **Plaintiff,**

24 **vs.**

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

Defendants.

Case No. 18-cv-4315 DSF (JPRx)

RECEIVER’S NOTICE OF MOTION
AND MOTION FOR APPROVAL OF
CLAIMS PROCESS AND BAR DATE;
[PROPOSED] ORDER

Date: August 31, 2020
Time: 1:30
Ctrm: 7D
Judge: Hon. Dale S. Fischer

Holland & Knight LLP
400 South Hope Street, 8th Floor
Los Angeles, CA 90071
Tel: 213.896.2400
Fax: 213.896.2450

1 TO ALL PARTIES AND THEIR ATTORNEYS OF RECORD:

2 PLEASE TAKE NOTICE that on Monday, August 31, 2020, at 1:30 p.m., or as
3 soon thereafter as the matter may be heard before the Honorable Dale S. Fischer, in
4 Courtroom 7D of the United States District Court, Central District of California,
5 Western Division, 350 West 1st Street, 6th Floor, Los Angeles, California, 90012, Josias
6 N. Dewey, as Court-appointed Receiver (the “Receiver”) for the estate of Defendant
7 Titanium Blockchain Infrastructure Services, Inc. (“TBIS”), will and hereby does submit
8 this Motion for Approval of Claims Process and Proposed Bar Date (“Motion”).

9 This Motion is submitted pursuant to paragraph XI(H) of this Court’s Order
10 Appointing Permanent Receiver, entered May 30, 2018 (the “Permanent Receivership
11 Order”) (Dkt. 48) and Rule 66 of the Federal Rules of Civil Procedure. The Receiver
12 requests this Court’s approval for the Receiver’s proposed Claims Process, including the
13 method by which the Receiver will provide notice to claimants, the method by which
14 claimants may file claims, the methods by which the Receiver will determine eligible
15 and ineligible claims, and the date by which all claims are to be filed (the “Bar Date”).

16 This Motion is based upon this Notice of Motion and Motion, all papers and
17 records on file herein, and such other matters as may be presented to the Court at or
18 before the hearing on this Motion. This Motion is made following the conference of
19 counsel pursuant to L.R. 7-3 which took place on February 5, 2020.

20
21 Dated: July 28, 2020.

Respectfully submitted,

22 /s/ Kristina S. Azlin

23 Kristina S. Azlin
24 Jose Casal (*pro hac vice*)
25 Holland & Knight LLP

26 *Attorneys for Josias N. Dewey, Court-*
27 *appointed Receiver for TBIS*
28

Holland & Knight LLP
400 South Hope Street, 8th Floor
Los Angeles, CA 90071
Tel: 213.896.2400
Fax: 213.896.2450

Holland & Knight LLP
 400 South Hope Street, 8th Floor
 Los Angeles, CA 90071
 Tel: 213.896.2400
 Fax: 213.896.2450

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Holland & Knight LLP
 400 South Hope Street, 8th Floor
 Los Angeles, CA 90071
 Tel: 213.896.2400
 Fax: 213.896.2450

**RECEIVER’S MOTION FOR APPROVAL OF CLAIMS PROCESS AND
PROPOSED BAR DATE**

Pursuant to paragraphs XI(H) of this Court’s Order Appointing Permanent Receiver, entered May 30, 2018 (the “Permanent Receivership Order”) (Dkt. 48), and Rule 66 of the Federal Rules of Civil Procedure, Holland & Knight LLP (“Counsel” or “H&K”), counsel to Josias N. Dewey, as Court-appointed Receiver (the “Receiver”) for the estate of Defendant Titanium Blockchain Infrastructure Services, Inc. (“TBIS”), hereby submits this Motion for Approval of Claims Process and Proposed Bar Date.

I. INTRODUCTION

On May 22, 2018, the Securities and Exchange Commission brought an emergency action for both securities fraud and the sale of unregistered securities against TBIS and its subsidiaries and affiliates. (Dkt. 1.) As part of that action, and with the Defendants’ consent, the United States District Court for the Central District of California appointed Josias N. Dewey receiver for TBIS. (Dkt. 48; *see also* Dkt. 47.)

The Receiver took custody of TBIS’s assets and is presenting this plan as a precursor to an interim distribution to TBIS’s victims of its securities fraud, victims of its sale of unregistered securities, and other eligible creditors. The Receiver will seek reimbursement of all reasonable administrative costs and expenses relating to the claims process from receivership assets. The Receiver will make every effort to conserve Receivership assets.

To that end, the virtual and online nature of this fraud presents opportunities for efficiencies typically unavailable in conventional receiverships. The unregistered securities at issue in this case are represented by virtual ERC-20 tokens that exist on the public Ethereum blockchain network (the “Ethereum Network”). The Ethereum Network is the decentralized transaction ledger on which Ether, one of the world’s most popular cryptocurrencies, exists. Anyone acquiring an ERC-20 token must have control over an Ethereum public address, which is somewhat analogous to a bank account

Holland & Knight LLP
400 South Hope Street, 8th Floor
Los Angeles, CA 90071
Tel: 213.896.2400
Fax: 213.896.2450

Holland & Knight LLP
400 South Hope Street, 8th Floor
Los Angeles, CA 90071
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Fax: 213.896.2450

1 inasmuch as it is the transferee reference for transfers of Ether and ERC-20 tokens.
2 While it is technically possible for a transferee to acquire ERC-20 tokens without access
3 to the internet, both the act of transferring Ether or other digital assets (e.g., bitcoin) as
4 payment for the tokens and verifying receipt of the tokens require access the internet.
5 As such, it is reasonable to assume that all victims who acquired ERC-20 tokens likely
6 have access to the internet and have control over one or more Ethereum public address.
7 Moreover, because most victims purchased the TBIS tokens using virtual currencies, the
8 Receiver and Counsel can use blockchain transactional information to expedite the
9 claims validation process, and ultimately, to compensate eligible claimants sooner. For
10 those investors who did not purchase the TBIS tokens using a virtual currency and in
11 other cases where the Receiver reasonably believes appropriate, compensation will be
12 distributed using conventional paper checks.

13 Under this proposal, costs are minimized by using an online claims process,
14 automated blockchain-based claim validation, and, depending on market conditions and
15 the claimants' preference, virtual asset funds distribution to reimburse validated
16 claimants. By this method, the Receiver can reduce administrative expenses, increase
17 claim processing speed, and distribute funds to victims in a fraction of the time when
18 compared to conventional processes.

19 The Receiver seeks the Court's approval to:

- 20 a. Define eligible claimants;
- 21 b. Provide notice and claims process instructions to claimants via electronic
22 means;
- 23 c. Accept claims by electronic means;
- 24 d. Determine valid claim amounts;
- 25 e. Handle objections to claim determinations; and
- 26 f. Establish a Bar Date and claims process timeline.

27 A proposed order and examples of the proposed notice and claims form are attached. *See*
28

1 Proposed Order; Exhibits A & B.

2 **II. FACTUAL BACKGROUND OF THE TBIS INITIAL COIN OFFERING**

3 Numerous persons invested in TBIS’s “initial coin offering” (ICO). TBIS
4 conducted an unregistered offering of securities in the form of an ICO. The TBIS ICO
5 was held using the Ethereum Network to issue ERC-20 tokens; investors purchased
6 coins using either Ether, Bitcoin, other virtual currencies, or central bank-issued
7 currencies. Because of the blockchain’s pseudonymous nature, the victims’ transactions
8 are known but most victims’ identities are not. Over 21,000 unique addresses currently
9 hold tokens associated with the TBIS ICO.

10 TBIS issued its first virtual token, the Titanium Bar (“BAR”), during an ICO
11 between November 21, 2017 and February 19, 2018. TBIS represented that BAR would
12 be redeemable for future TBIS services—services purportedly still being developed.
13 TBIS falsely represented that it had commercial relationships with many influential
14 companies that would drive demand for these future TBIS services. TBIS claimed that
15 purchasers would see the value of BAR appreciate based on this demand for future TBIS
16 services. During the ICO, some buyers sold and transferred BAR to third parties.

17 On February 22, 2018, an unidentified party illicitly gained access to the virtual
18 assets raised by TBIS, transferring virtually all of the raised funds away from TBIS
19 control. In addition to the transfer of funds raised, the illicit transfers included a
20 substantial portion of the BAR tokens—approximately 18 million BAR—that TBIS had
21 held in reserve.

22 On the same day of the illicit funds transfer, TBIS announced their loss of control
23 over the BAR tokens and disclosed a plan to issue a second virtual token, replacing the
24 BAR (the “TBIS BAR disclamation announcement”). By this announcement, TBIS
25 disclaimed the BAR tokens, rendering them essentially valueless. The TBIS
26 announcement was widely reported on cryptocurrency news sites and online discussion
27 forums. TBIS did not reclaim the now-defunct BAR. Subsequent to the TBIS
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400 South Hope Street, 8th Floor
Los Angeles, CA 90071
Tel: 213.896.2400
Fax: 213.896.2450

1 announcement, BAR market prices dropped to nearly zero. BAR holders continued to
 2 sell or transfer BAR to third parties, who were acquiring BAR despite the TBIS BAR
 3 disclamation announcement.

4 TBIS gave the replacement coin, TBAR, to all holders of BAR. TBIS began to
 5 issue and sell TBAR on February 23, 2018. Confusingly, TBIS continued to issue TBAR
 6 to new BAR holders, even where people acquired the BAR well after TBIS disclaimed
 7 the BAR tokens. TBIS continued to market its TBAR as worthy of acquisition. After
 8 TBIS distributed the TBAR coin, some TBAR holders sold or transferred TBAR to third
 9 parties.

10 On May 22, 2018, the SEC filed an emergency action against TBIS and other
 11 related principals alleging securities fraud, the sale of unregistered securities, and other
 12 violations of U.S. securities laws. The SEC made this action publicly known on May 29,
 13 2018 via press release and publishing on the SEC website (the “TBIS fraud disclosure”).
 14 Almost immediately, TBAR market prices dropped to nearly zero.

15 **III. DISCUSSION**

16 The Receiver has come up with procedures for overseeing the administration of
 17 claims of creditors, investors who acquired unregistered securities from TBIS and
 18 certain investors otherwise harmed by TBIS’s fraud. The Receiver will be responsible
 19 for reviewing and validating submitted claims. After the Receiver has reviewed and
 20 validated submitted claims, he will submit a separate motion seeking approval for the
 21 distribution of assets to claimants in amounts to be determined at a later date.

22 “[A] primary purpose of equity receiverships is to promote orderly and efficient
 23 administration of the estate by the district court for the benefit of creditors.” *SEC v.*
 24 *Hardy*, 803 F.2d 1034, 1038 (9th Cir. 1986). District judges have extremely broad
 25 authority in determining appropriate administrative actions for equity receiverships,
 26 including claims administration. *Id.* at 1037–38. Reasonable and fair procedures in
 27 administering claims are appropriate. *Id.* at 1038. However, “the rights of creditors of a
 28

1 receivership must be balanced against the need for expeditious administration of the
 2 receivership; a district court in overseeing a receivership must ‘make rules which are
 3 practicable as well as equitable.’” *Id.* at 1039 (quoting *First Empire Bank-New York v.*
 4 *FDIC*, 572 F.2d 1361, 1368 (9th Cir. 1978)).

5 **A. Eligible Claimants should be creditors, those investors who acquired**
 6 **unregistered securities from TBIS and certain other investors who**
 7 **suffered a loss caused by TBIS’s fraud.**

8 The Receiver proposes compensating TBIS’s creditors, those investors who
 9 acquired unregistered securities from TBIS and certain other investors who suffered a
 10 loss caused by TBIS’s fraud. TBIS’s creditors should be eligible claimants, subject to a
 11 case-by-case determination of claim validity. As for victims of TBIS’s securities fraud,
 12 securities fraud victims are those who suffered economic loss caused by
 13 misrepresentations. *See Dura Pharm., Inc. v. Broudo*, 544 U.S. 336, 342–46 (2005).

14 Determining loss causation depends on how the victim acquired the security. Initial
 15 purchasers (from the issuer) benefit from a statutory presumption of loss causation. *See*
 16 15 U.S.C. § 77l. Subsequent purchasers must have loss actually caused by
 17 misrepresentations: courts will look at the value of the security if no misrepresentations
 18 had been made, the purchase price and date, the sale price and date, and whether
 19 disclosure of the fraud depressed the sale price. *See Dura*, 544 U.S. at 344–45. Thus,
 20 subsequent Purchasers who do not purchase the security from the issuer and who sell
 21 “before the relevant truth begins to leak out” are not victims of the fraud. *Id.* at 342.
 22 Finally, unlike those investors whose loss arises solely from TBIS’s fraud, investors who
 23 purchased unregistered securities from TBIS benefit from a statutory presumption of loss
 24 causation. *See* 15 U.S.C. § 77l.

25 As a result of the presumption of loss causation being available to some investors
 26 but not others, there should be two classes of investor claimants: (1) those induced into
 27 purchasing BAR or TBAR, constituting unregistered securities, directly from TBIS
 28

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 Los Angeles, CA 90071
 Tel: 213.896.2400
 Fax: 213.896.2450

1 (collectively, the “Direct Purchasers”), and (2) those who purchased BAR or TBAR
 2 from someone other than TBIS (collectively, the “Secondary Market Purchasers”) at a
 3 price inflated due to TBIS misrepresentations, and then who realized a loss in value
 4 caused by the TBIS fraud disclosure.

5 As a class, Direct Purchasers are entitled to a presumption of loss generally based
 6 on the difference between what they paid for the BAR or TBAR and the price they
 7 obtained when they sold same, or if they have not sold their BAR or TBAR, the current
 8 value of same., Accordingly, all Direct Purchasers should be eligible claimants because
 9 they (in addition to potentially being victims of TBIS’s fraud) purchased an unregistered
 10 security directly from its issuer and would benefit from a rescissionary measure of
 11 damages. 15 U.S.C. § 771(a). Direct Purchasers who sold their tokens should, however,
 12 be limited to recovering actual damages; thereby excluding any Direct Purchasers who
 13 sold their tokens for more than the price they paid for same, after accounting for any
 14 reasonable and customary transactional costs.

15 On the other hand, the class
 16 of Secondary Market Purchasers
 17 must show that their loss was
 18 caused by TBIS’s fraud. As a
 19 result, those Secondary Market
 20 Purchasers who sold prior to the
 21 fraud disclosure—and who
 22 suffered loss based on market price
 23 fluctuations unrelated to any TBIS
 24 misrepresentations—should not be
 25 victims of the TBIS fraud. Based
 26 on the foregoing principle,
 27 Secondary Market Purchasers
 28



Figure 1: TBAR USD price chart.

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Los Angeles, CA 90071
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Fax: 213.896.2450

1 should be eligible claimants if they purchased prior to the TBIS fraud disclosure and
2 held through the TBIS fraud disclosure. The TBIS tokens were valueless, because TBIS
3 lacked the capabilities to develop the promised product for which the TBIS token would
4 have been used. Any non-zero market price was entirely due to the TBIS fraud. This
5 actual valuation of zero is reflected in the depressed market price immediately following
6 the TBIS fraud disclosure. Thus, anyone who purchased prior to the fraud disclosure
7 purchased at a price inflated due to the fraud and were damaged when their tokens' price
8 to plummeted to zero (or near zero) subsequent to the fraud disclosure. *See infra* Fig.1.

9 However, certain Secondary Market Purchasers should be ineligible claimants
10 regardless of whether they continue to hold BAR or TBAR. Specifically, Purchasers of
11 BAR who purchased after the TBIS BAR disclamation announcement should be
12 ineligible, because TBIS publicly renounced the value of those tokens. Persons who
13 acquired these worthless tokens after TBIS informed the public of their worthlessness
14 did so at their own risk and not in reliance on any TBIS misrepresentations. Moreover,
15 any subsequent purchasers who sold prior to the fraud disclosure cannot have been
16 damaged by the TBIS fraud and thus should be ineligible claimants.

17 Therefore, the Receiver proposes that claimants be categorized as follows:

18 Claimant Type A: Creditors.

19 Claimant Type B: Direct Purchasers (i.e., acquired BAR or TBAR, constituting
20 unregistered securities directly from TBIS).

21 Claimant Type C: Certain Secondary Market Purchasers of BAR. Persons that—

- 22 1. Purchased BAR from third parties prior to Feb. 22, 2018;
- 23 2. Held that BAR through Feb. 22, 2018;
- 24 3. Received TBAR from TBIS by virtue of their BAR holdings; and
- 25 4. Held that TBAR through May 29, 2018.

26 Claimant Type D: Certain Secondary Market Purchasers of TBAR. Persons that—

- 27 1. Purchased TBAR from third parties prior to May 29, 2018; and

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2. Held that TBAR through May 29, 2018.

Claimant Type E: Ineligible claimants that do not meet any of the above criteria.

Examples of ineligible claimants are:

- 3. Secondary Market Purchasers of BAR selling that BAR before Feb. 22, 2018;
- 4. Purchasers of BAR on or after Feb. 22, 2018;
- 5. Purchasers of TBAR on or after May 29, 2018;
- 6. Recipients of TBAR given by TBIS based on BAR acquired on or after Feb. 22, 2018; and
- 7. Secondary Market Purchasers of BAR or TBAR selling their acquired TBAR before May 29, 2018.

A claimant may fit into multiple claimant types depending on their specific facts, and such claims will be apportioned accordingly for purposes of determining claim eligibility. Limiting eligible claimants to the above persons permits fair and reasonable compensation to those whom TBIS is liable for selling unregistered securities and/or damages caused by TBIS fraud; and accordingly, should be approved.

B. Internet-based electronic notice is fair, reasonable, and comports with due process for internet-based virtual token fraud victims.

The Receiver will provide notice to claimants of the claims process in order to validate claims and identify the claimant class. The Receiver proposes using online, electronic notice of the claims process using media similar to that which TBIS employed to propagate its misrepresentations and effect its sale of unregistered securities.

A claims process must satisfy due process. Due process requires that a party must receive notice “reasonably calculated, under all the circumstances, to apprise interested parties of the pendency of the action.” *Mullane v. Central Hanover Bank & Trust Co.*, 339 U.S. 306, 314 (1950). Internet-based notice is suitable for apprising parties when their involvement in a matter is predominantly internet based. *See SEC v. Arisebank*,

1 No. 3:18-cv-00186-M , 2019 WL 1796170 (N.D.Tex. Jan. 29, 2019) (Receiver’s Motion
2 for Approval of Claims Process and Proposed Bar Date) and Docket No. 100, Order
3 Granting Motion (N.D. Tex. Feb. 1, 2019) (order approving claims process, notice
4 procedures, and bar date) (approving receiver’s electronic notice procedures for
5 claimants involved in an initial coin offering); *see also Browning v. Yahoo! Inc.*,
6 No. C04-01463, 2007 WL 4105971, at *4 (N.D. Cal. Nov. 16, 2007) (internet notice
7 “particularly suitable” where claims involved “visits to Defendants’ internet websites”);
8 *Lundell v. Dell, Inc.*, No. CIV A C05-3970 JWRS, 2006 WL 3507938, at *1 (N.D. Cal.
9 Dec. 5, 2006) (electronically sent and internet-published notice satisfied due process).

10 Here, internet-based notice is appropriate because TBIS primarily interacted with
11 potential claimants via the internet. TBIS promoted its ICO through its website, internet
12 news sites, and social media. Investors purchased TBIS tokens through electronic means,
13 including an internet-based smart contract that automatically exchanged virtual
14 currencies for TBIS BAR tokens. Almost all investors contributed funds in the form of
15 internet-based cryptocurrencies. And the TBIS tokens themselves are entirely virtual.
16 For all practical purposes, access to, and familiarity with, the internet is a prerequisite to
17 owning virtual assets, like BAR and TBAR. Finally, specific investors are not
18 identifiable because almost all potential claimants are cloaked by blockchain-based
19 pseudonymity. Under these circumstances, the Court should find that internet-based
20 notice is the best method to reach TBIS claimants—claimants demonstrably accessing
21 the internet and involved in online cryptocurrency and crypto-investor communities.

22 The Receiver proposes multiple forms of notice. First, the Receiver should be
23 authorized to send email or mail notice to those potential claimants for whom the
24 Receiver has contact information; nearly 250 claimants have already submitted
25 preliminary claims. Second, the Receiver should be authorized to publish notice of the
26 claims process via the TBIS website (<https://tbis.io/>). Additionally, the Receiver should
27 be authorized to publish the notice via the same channels through which TBIS originally
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Fax: 213.896.2450

1 promoted its digital tokens: cryptocurrency and related online industry publications,
2 online discussion forums, Telegram, and Twitter.

3 The notice will include the following:

- 4 8. An explanation of the TBIS fraud and circumstances under which it sold
- 5 unregistered securities;
- 6 9. An explanation of who is eligible for compensation and the claims process;
- 7 10. The online portal web address for making a claim;
- 8 11. The deadline for submitting a claim (the “Bar Date”);
- 9 12. Copies of the court order approving the claims process and distribution
- 10 plan; and
- 11 13. An email address for correspondence to the Receiver.

12 If authorized, the content of the notice will be substantially similar to that in the attached
13 example notice. *See* Exhibit A. This online notice process is fair and reasonable under
14 the circumstances, comports with due process, and should be approved.

15 **C. Internet-based Claim Submission is Appropriate for Internet-based**
16 **Activities.**

17 The Receiver proposes receiving claims online, which is fair and reasonable given
18 the exclusively online nature of the fraud and virtual tokens. If authorized, the Receiver
19 will create a web portal for form-based submission. The process will validate claims and
20 provide notice to claimants of the status of their claims, including grounds for denial of a
21 claim, as appropriate. The web portal will include protections to prevent automated form
22 submission by bots and other techniques that could increase the number of false claims.
23 The Receiver will also establish an alternative means for filing claims for those
24 individuals who establish that they are not reasonably able to use the online submission
25 portal (e.g., government interference or censoring). Claimants requesting alternative
26 submission of claims will be instructed to contact the Receiver at tbis@hkllaw.com.

27 The claims form will solicit sufficient information to communicate with
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1 claimants, validate claims, and conduct Office of Foreign Assets Control due diligence.
2 The Receiver will send all claimants confirmation of their successfully submitted claim.
3 For most claimants, the Receiver will be able to immediately determine the validity of
4 claims and inform claimants of their claim determination.

5 The claims form will also include certain consent and attestation provisions. First,
6 it will require consent to this Court’s exclusive jurisdiction for any disputes related to the
7 claims. Second, the form will require claimants attest to the truth and correctness of the
8 submitted information under penalty of perjury. Third, the form will require each
9 claimant release the Receiver, the Receivership Estate, and their agents from any claims
10 the claimant has or may assert in excess of any approved distribution of available
11 Receivership funds. This release will prevent a claimant from later contesting a Claim
12 Determination or amount after completing the objection process. A similar release was
13 approved in a nearly identical case involving a receivership distributing funds to
14 claimants. *See SEC v. Arisebank*, No. 3:18-cv-00186-M (N.D. Tex. Feb. 1, 2019) (order
15 approving claims process, notice procedures, and bar date). The content of the claims
16 form will be substantially similar to that in the attached example form and release. *See*
17 Exhibit B. This online, largely automated claims process will conserve Receivership
18 resources, is fair and reasonable, and should be approved.

19 **D. Validating Claims Using Blockchain Transactional Information is**
20 **Practicable, Efficient, and Accurate.**

21 The Receiver proposes validating claims based on claimant submissions and blockchain
22 transactional data. TBIS conducted its ICO on the Ethereum Network, which is a
23 publicly-viewable online ledgers distributed among a global network of computers,
24 theoretically impervious to alteration, and an accurate and immutable transaction
25 archive. The Ethereum Network stores transactional information which the Receiver and
26 Counsel can use to help determine the validity of claims and eligibility of most
27 claimants. Using a web-based form will permit automated validation for many claims,
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Tel: 213.896.2400
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1 and in some cases, even permit an immediate claim determination to be made for some
2 claimants. The web portal will also solicit additional information from claimants with
3 complicated transaction histories or involving cryptocurrency exchanges. However, the
4 information needed to determine a claimant’s eligibility is mostly available via the
5 Ethereum Network used by TBIS.

6 For example, the Receiver knows the transaction quantities, dates, senders, and
7 recipients of all BAR and TBAR issued by TBIS. Unfortunately, this information is also
8 available to anyone via that same blockchain, creating a risk that bad actors will attempt
9 to use this information to submit fraudulent claims. To prevent these sorts of fraudulent
10 or duplicative claims, the Receiver will verify a claimant’s control over an address using
11 a purpose-built Ethereum ERC-20 “control” token (the “Control Token”). After a
12 claimant enters sufficient information in the claims web portal, the Receiver will
13 automatically send a Control Token to the claimant’s Ethereum address. The web portal
14 will instruct the Claimant to prove control over the claimed address by sending the
15 Control Token back to the Receiver. Failure to prove control within a defined period will
16 result in an automatic emailed notice to the claimant, denying the claim and stating the
17 grounds for denial.

18 **E. Claimants Should have the Opportunity to Object to Claim**
19 **Determinations.**

20 The Receiver proposes that each claimant be given 30 days from the date the
21 Receiver sends the Claim Determination to submit an objection. The objection should be
22 emailed to the Receiver at tbis@hkllaw.com on or before 11:59 pm (PST) on the date that
23 is 30 days after the date the Receiver sent the Claim Determination, unless the Receiver
24 has agreed to an alternative means of claim submission for the objecting claimant. The
25 Receiver will receive and consider timely objections on a case-by-case basis and will
26 communicate any changes to the original Claim Determination in a timely manner.
27
28

F. Proposed timeline and 90-Day Claims Window.

In order to obtain certainty regarding the number and aggregate amount of claims and to allow for a final distribution of all Receivership funds, the Receiver proposes a claims Bar Date of 11:59 p.m. (Pacific Time) 90 calendar days following publishing of the Claims Process Notice. An identical claims period was found reasonable and fair in a similar case involving an unknown class of cryptocurrency contributors. *See Arisebank*, No. 3:18-cv-00186-M, ECF No. 98. Except for claims the Receiver has determined to be subject to an alternative method of submittal and disposition, claims not properly submitted to the Receiver by the Bar Date will be barred.

Accordingly, the Receiver proposes the following timeframe for implementing the claims process:



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 400 South Hope Street, 8th Floor
 Los Angeles, CA 90071
 Tel: 213.896.2400
 Fax: 213.896.2450

1 **G. Distribution of Assets**

2 Before the Bar Date, the Receiver will propose a claimant compensation
3 distribution plan to be implemented after the Bar Date and after resolving all objections.

4 **IV. CONCLUSION**

5 For the reasons stated above, the Receiver respectfully requests that the Court
6 enter an Order approving the following components of the claims process:

- 7 (i) The eligible claimant classes;
- 8 (ii) Method of notice;
- 9 (iii) Method of receiving claims;
- 10 (iv) Method of claim validation;
- 11 (v) Method of handling claims determination objections;
- 12 (vi) Bar Date and Claims Process timeframe; and
- 13 (vii) Directing such other and further relief as the Court deems appropriate.

14
15 Dated: July 28, 2020.

Respectfully submitted,

16
17 /s/ Kristina S. Azlin

18 Kristina S. Azlin
19 Jose Casal (*pro hac vice*)
20 Holland & Knight LLP

21 *Attorneys for Josias N. Dewey, Court-*
22 *appointed Receiver for TBIS*
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Holland & Knight LLP
400 South Hope Street, 8th Floor
Los Angeles, CA 90071
Tel: 213.896.2400
Fax: 213.896.2450

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Tel: 213.896.2400
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PROOF OF SERVICE

I am employed in the County of Los Angeles, State of California. I am over the age of 18 and not a party to the within action. My business address is 400 S. Hope Street, 8th Floor, Los Angeles, CA 90071.

On **July 28, 2020**, I served the document described as Receiver’s **RECEIVER’S NOTICE OF MOTION AND MOTION FOR APPROVAL OF CLAIMS PROCESS AND BAR DATE; [PROPOSED] ORDER** on the interested parties in this action as follows:

[X] (BY Electronic Transfer to the CM/ECF System) In accordance with Federal Rules of Civil Procedure 5(d)(3) and Local Rule 5-4, I uploaded via electronic transfer a true and correct copy scanned into an electronic file in Adobe “pdf” format of the above-listed document(s) to the U.S. District Court Central District of California’s Electronic Case Filing (CM/ECF) system on this date.

I declare under penalty of perjury under the laws of the United States of America that the above is true and correct.

Executed on **July 28, 2020**, Los Angeles, California.

/s/Kristina S. Azlin
Kristina S. Azlin

EXHIBIT “A”

To:
From: Josiah Dewey, Court-appointed Receiver
Date:
Re: Titanium Blockchain Receivership—Notice of Claim Process and Bar Date

**IN THE UNITED STATES DISTRICT COURT
FOR THE CENTRAL DISTRICT OF CALIFORNIA
WESTERN DIVISION**

*Securities and Exchange Commission v. Titanium Blockchain Infrastructure Services, Inc.; EHI
Internetwork and Systems Management, Inc. aka EHI-INSM, Inc.; and Michael Alan Stollery aka
Michael Stollaire, Civil Action No. 18-cv-4315 DSF (JPRx)*

Court-Approved Notice of Claims Process and Claims Bar Date

*THIS NOTICE MAY AFFECT YOUR LEGAL RIGHTS. PLEASE READ IT CAREFULLY.
AMONG OTHER THINGS, FAILURE TO TIMELY SUBMIT A CLAIM PURSUANT TO THE
DIRECTIONS BELOW MAY RESULT IN YOUR CLAIM BEING BARRED FROM A
DISTRIBUTION*

Dear Potential Titanium Blockchain Claimant:

On May 30, 2018, the above-captioned Court entered a Receivership Order appointing Josiah Dewey as Receiver for the estate of Titanium Blockchain Infrastructure Services (the “TBIS Receivership Estate”). On _____, 2020, the Court entered an order authorizing the Claims Process and Bar Date. Copies of these orders and other information regarding this case are available on the TBIS Receivership website at <https://tbis.io/>.

You are receiving this Notice because our records indicate you *may* hold a claim against the TBIS Receivership Estate. Receiving this Notice does not mean that you hold a claim or that your claim will be eligible for a distribution from the TBIS Receivership Estate.

Deadlines for Submitting Claims

NOTICE IS HEREBY GIVEN that all people with potential claims for recovery from the TBIS Receivership Estate should file their claim with the Receiver so that it is actually submitted on the Receiver’s online claim system by **11:59 p.m. (Pacific Time) on _____, 2020** (the “Bar Date”). All claims should be filed electronically using the Receiver’s online claim system, found at <https://tbis.io/>.

Individuals or entities that believe they have good cause to either extend the Bar Date or to submit their claim by other means should request this from the Receiver at tbis@hkclaw.com no later than the Bar Date. Unless a claim is subject to a Receiver-granted exception, all claims against TBIS Receivership Estate assets that are not received by the Bar Date are barred.

EXHIBIT “B”

TBIS RECEIVERSHIP

Securities and Exchange Commission v. Titanium Blockchain Infrastructure Services, Inc.; EHI Internetwork and Systems Management, Inc. aka EHI-INSM, Inc.; and Michael Alan Stollery aka Michael Stollaire, Civil Action No. 18-cv-4315 DSF (JPRx) (C.D. Cal.)

Claim Form

Claim Bar Date: 11:59 p.m. (Pacific Time)

Instructions

1. You may be eligible to receive a payment from the TBIS Receivership Estate (the “Receivership Estate”) if any of the following apply:
 - a. You are a creditor of TBIS or its affiliates; or
 - b. You purchased BAR or TBAR directly from TBIS; or
 - c. You purchased BAR or TBAR and held those tokens through May 29, 2018.
2. To be considered for eligibility to receive a payment from the Receivership Estate, you must provide information required by this online form and submit a release through the Receiver’s online claim system, located at <https://tbis.io/>. Failing to upload and submit this information through the Receiver’s online claim system by the Bar Date set forth above may result in your claim being rejected and you being precluded from any recovery from the Receivership Estate.
3. Timely submission of your claim does not guarantee you will be eligible for a distribution from the Receivership Estate or that you will be compensated for your claimed loss.
4. Please fill out this claim form completely. After submission of the claim form, you may be requested to provide documentation to support your claim. Failing to completely fill out the claim form or provide all requested documentation may result in rejection of your claim.
5. Providing a valid email address is required as part of the claims validation process. Failure to provide a valid email address may result in rejection of your claim. Changes to your email address [or any of your contact information] must be promptly sent to tbis@hkllaw.com.
6. This form requires you to specify all transaction hashes for BAR or TBAR tokens you acquired. This information is publicly available through any Ethereum blockchain viewer, such as Etherscan (<https://etherscan.io/>).
7. You will be instructed via email to confirm control of any Ethereum addresses associated with your claimed transactions. Failure to confirm control of these addresses will result in rejection of your claims associated with those addresses.
8. Submitting your claim using this online claim form is the fastest method to determine your eligibility for recovery. If necessary, you may request an alternative submission method or a filing time extension from the TBIS Receiver, Josias Dewey, at tbis@hkllaw.com.
9. Upon completion of his review of your claim, the Receiver will email you a Claim Determination, defining your eligible loss amount, if any. Distribution amounts will be determined at a later date based on available Receivership assets and there is no guarantee you will be fully compensated for your loss. The Claimant may object to a Claim Determination by following the instructions included with the Claim Determination.

Contact Information

First Name	
Last Name	
Address Street	
City	
State	
Country	
Zip/Postal Code	
Phone	
Email	

Claim Information

Are you a creditor of TBIS or its affiliates, other than as a purchaser of BAR or TBAR?	
If yes, please specify the nature and amount of your claim and provide supporting documentation.	
What email address did you provide to TBIS, if any?	
List all transaction hashes for transactions through which you received BAR or TBAR	

Claimant Acknowledgement

By submitting this form, the claimant agrees to submit to the exclusive jurisdiction of the United States District Court for the Central District of California for all purposes associated with the submitted claim. The claimant agrees to waive trial by jury, to the extent such a right exists, and agrees to the Court’s summary disposition of claim validity and amount. Claimant acknowledges any funds distribution will be in the manner determined by the Receiver to be in the best interests of the TBIS Receivership Estate, whether in government currency or cryptocurrency.

The claimant consents to the Receiver and his agents’ use of any information provided in this Proof of Claim to verify and process the claim and understands that the information will be processed in the United States, protected by appropriate safeguards, stored only as long as required, and shared with the Receiver’s agents for claim verification and responses.

Residents of the European Economic Area may withdraw the above consent to store personal data unless there are other legal grounds for processing that data. Revocation will not affect already-processed and transferred data. Claimant may exercise rights afforded under applicable data protection law, including access, rectify, erase, restrict, or data portability, or object to the processing of personal data by contacting the Receiver at tbis@hkllaw.com. Complaints may be lodged with appropriate supervisory authorities in a claimant’s country of residence.

Release

By submitting this form and in exchange for the right to receive a share of funds distributed to all Claimants, the Claimant releases and forever discharges the Receiver, the TBIS Receivership Estate, and all their agents, employees, professionals, successors, and assigns (collectively, the “Released Persons”) from all claims relating to the Claimant’s demand for funds from the TBIS Receivership Estate or the circumstances giving rise to the Claim, which the Claimant now has, or can, shall, or may have, for or by any reason of any cause, matter, or thing whatsoever, prior to and including the date as certified below.

Notwithstanding any rights or remedies available to the Claimant under applicable law, Claimant agrees to return immediately any property to the TBIS Receivership Estate that is later found by the Receiver or by a court to have been distributed in error or to exceed the Claimant’s *pro rata* share of distributed funds. The Claimant will indemnify and hold harmless the Released Persons from and against any damages, costs, or losses that may result from any assertion by any such other entity or person of any such claims. This Release does not release claims against any former employee or officer of TBIS.

Submitting this form is the claimant’s certification—under penalty of perjury under the laws of the United States of America—that the submitted information is true and correct to the best of the claimant’s knowledge, that the claim submitted is the Claimant’s own, and that the Claimant has the full authority and capacity to submit this claim and enter into the above agreement and release. By typing the claimant’s name below, the claimant consents to the above and agrees to the release.

Date	
Name	

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

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. 18-cv-4315 DSF (JPRx)

**[PROPOSED] ORDER APPROVING
CLAIMS PROCESS AND BAR DATE**

Holland & Knight LLP
400 South Hope Street, 8th Floor
Los Angeles, CA 90071
Tel: 213.896.2400
Fax: 213.896.2450

Holland & Knight LLP
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[PROPOSED] ORDER

APPROVING CLAIMS PROCESS AND BAR DATE

Before the Court is the Motion of Josias N. Dewey, as Court-appointed Receiver for the estate of Defendant Titanium Blockchain Infrastructure Services, Inc. seeking approval of the claims process: (i) defining the eligible claimant class; (ii) giving notice of via electronic means; (iii) receiving claims via electronic means; (iv) validating claims using blockchain transactional data; (v) receiving and considering claims determination objections; and (vi) establishing the Claims Bar Date and Claims Process timeframe.

The Court having received and read the Motion, being so advised in the matter and finding good cause, hereby orders that the Motion is in all respects **GRANTED**.

I. Notice Procedure and Timeframe.

The Notice Procedures and Claims Process timeframe proposed in the Motion are approved. Within 30 days after entry of this Order, the Receiver shall publish the Claims Process Notice, apprising Claimants of the Bar Date and pendency of the Claims Process as described in the Motion, including at the Receiver’s website: <https://tbis.io/>. These approved notice procedures will provide adequate and sufficient notice of the Bar Date and satisfy due process requirements.

II. Claim File Requirements, Release, and Bar Date.

All claimants of the Receivership Entities must file claims on or before 11:59 p.m. (Pacific Time) 90 calendar days following publishing of the Claims Process Notice (the Claims “Bar Date”). Unless excepted with good cause at the discretion of the Receiver, Claimants must submit claims using the Receiver’s online claim system using the form exemplified in Exhibit B of this order. The Receiver’s online claim system will be published at an internet address included in the Receivers notice of claims process.

The Receiver is authorized to obtain the release from each Claimant desiring to receive a distribution on their claim by including the release in the claims form.

Claimants wishing to submit claims via alternative means, object to the Receiver’s

1 Claim Determination, or request any other deviation from the standard Claims Process
2 procedure or time requirements, should contact the Receiver at tbis@hkllaw.com.

3 **III. Claims Determination Process and Objections.**

4 The Receiver will establish the claim amount based on available transactional data,
5 Claim Form information, and supporting documentation. The Receiver will provide the
6 Claim Determination to Claimants electronically or as otherwise agreed.

7 Claimants must submit Claim Determination objections to tbis@hkllaw.com on or
8 before 11:59 pm (Pacific Time) 100 calendar days following publishing of the Claims
9 Process Notice. The Receiver will evaluate objections and respond with the Receiver's
10 determination within 5 calendar days after receipt of an objection.

11 **IV. Failure to Respond by Bar Date or Timely Object to Claim Determinations**
12 **will Bar Claims.**

13 Claimants failing to timely file claims or timely object to the Receiver's Claim
14 Determination of their respective claims are forever barred, estopped, and enjoined from
15 later asserting such claims against the TBIS Receivership Estate. The TBIS Receivership
16 Estate will be forever discharged from any and all indebtedness or liability arising from
17 such claims.

18 **V. Distribution.**

19 After the Receiver determines all claims and objections, the Receiver will determine
20 the proposed distribution amount based on the total value of eligible claims, types of
21 claims, and available assets, and submit a distribution proposal to the Court.
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1 **VI. Miscellaneous**

2 This Order is immediately effective and enforceable upon entry. The Receiver is
3 authorized to take all actions necessary to effectuate the relief granted pursuant to this
4 Order in accordance with the Motion. The Court retains exclusive jurisdiction with respect
5 to all matters related to this Order’s implementation.

6 **SO ORDERED.**

7
8
9 _____, 2020 _____

10 DALE S. FISCHER
11 UNITED STATES DISTRICT JUDGE
12

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PROOF OF SERVICE

I am employed in the County of Los Angeles, State of California. I am over the age of 18 and not a party to the within action. My business address is 400 S. Hope Street, 8th Floor, Los Angeles, CA 90071.

On **July 28, 2020**, I served the document described as Receiver’s **[PROPOSED] ORDER APPROVING CLAIMS PROCESS AND BAR DATE** on the interested parties in this action as follows:

(BY Electronic Transfer to the CM/ECF System) In accordance with Federal Rules of Civil Procedure 5(d)(3) and Local Rule 5-4, I uploaded via electronic transfer a true and correct copy scanned into an electronic file in Adobe “pdf” format of the above-listed document(s) to the U.S. District Court Central District of California’s Electronic Case Filing (CM/ECF) system on this date.

I declare under penalty of perjury under the laws of the United States of America that the above is true and correct.

Executed on **July 28, 2020**, Los Angeles, California.

/s/Kristina S. Azlin
Kristina S. Azlin

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