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10
11 *Attorneys for Josias Dewey, Court-appointed
Receiver for Receivership Entities*

12
13 **UNITED STATES DISTRICT COURT**
14 **CENTRAL DISTRICT OF CALIFORNIA – WESTERN DIVISION**

15
16 **SECURITIES AND EXCHANGE
COMMISSION,**

17
18 **Plaintiff,**

19 **vs.**

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

24
25 **Defendants.**

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

**RECEIVER’S MOTION FOR LEAVE
TO PARTIALLY LIQUIDATE
ASSETS**

Date: December 2, 2019

Time: 1:30 pm

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, December 2, 2019, at 1:30 pm, 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,
6 Holland & Knight LLP (“Counsel” or “H&K”), counsel to Josias N. Dewey, as Court-
7 appointed Receiver (the “Receiver”) for the estates of Defendant Titanium Blockchain
8 Infrastructure Services, Inc. and its subsidiaries and/or affiliates (collectively, the
9 “Receivership Entities”), will and hereby does submit this Motion for Leave to Partially
10 Liquidate Assets (“Motion”).

11 This Motion is submitted pursuant to paragraphs XI(F) and XVII of this Court’s
12 Order Appointing Permanent Receiver, entered May 30, 2018 (the “Permanent
13 Receivership Order”) (Dkt. 48) and Rule 66 of the Federal Rules of Civil Procedure.

14 This Motion is based upon this Notice of Motion and Motion, all papers and
15 records on file herein, and such other matters as may be presented to the Court at or
16 before the hearing on this Motion. The Receiver requests that this Court allow him to
17 partially liquidate the Receivership Entities’ cryptocurrency assets to pay current and
18 future expenses for which the Receiver has insufficient cash on hand. For those
19 expenses requiring court approval, the Receiver intends to file a separate application for
20 approval of such expenses, to the extent not previously approved by the Court. This
21 Motion is made following the conference of counsel pursuant to L.R. 7-3 which took
22 place between October 7 and October 28, 2019.

23 Dated: November 1, 2019

Respectfully submitted,

24 /s/ Jose Casal

25 Jose Casal (*pro hac vice*)
26 Holland & Knight LLP

27 *Attorneys for Josias N. Dewey, Court-*
appointed Receiver for Receivership Entities

1 **RECEIVER’S MOTION FOR LEAVE TO PARTIALLY LIQUIDATE ASSETS**

2 Pursuant to paragraphs XI(F) and XVII of this Court’s Order Appointing
3 Permanent Receiver, entered May 30, 2018 (the “Permanent Receivership Order”) (Dkt.
4 48), and Rule 66 of the Federal Rules of Civil Procedure, Holland & Knight LLP
5 (“Counsel” or “H&K”), counsel to Josias N. Dewey, as Court-appointed Receiver (the
6 “Receiver”) for the estates of Defendant Titanium Blockchain Infrastructure Services,
7 Inc. and its subsidiaries and/or affiliates (collectively, the “Receivership Entities”),
8 hereby submits this Motion for Leave to Partially Liquidate Assets (“Motion”).

9 **Factual and Procedural Background**

10 On May 23, 2018, the Court entered a Temporary Restraining Order (the “TRO”
11 and Orders (1) Freezing Assets; (2) Prohibiting the Destruction or Alteration of
12 Documents; (3) Granting Expedited Discovery; (4) Requiring Accountings; and (5)
13 Appointing a Temporary Receiver (the “Temporary Receivership Order”), appointing
14 Josias N. Dewey as temporary receiver for the Receivership Entities. (Dkt. 2.)

15 On May 30, 2018, the Court entered the Permanent Receivership Order (Dkt. 48)
16 (together with the Temporary Receivership Order, collectively, the “Receivership
17 Order”). The Defendants consented to the entry of the Permanent Receivership Order.
18 (*See* dkt. 47.)

19 On June 6, 2018, the Court entered orders approving the Receiver’s decision to
20 employ H&K as legal counsel, and Kroll Cyber Security, LLC (“Kroll”) as a forensic
21 and investigative consultant, to assist the Receiver in carrying out his duties. (*See* Dkts.
22 54-55.) H&K and Kroll began working on this matter on or about May 23, 2018. (*See*
23 First Interim Fee Application of Holland & Knight LLP (“First Fee Application”) Dkt.
24 76 ¶ 16.)

25 H&K has assisted the Receiver with all aspects of his duties in this case during the
26 First Application Period. (*Id.* at ¶ 17.) On May 24, 2018, the Receiver and his legal
27 counsel, together with the assistance of Kroll, were able to seize and search computer
28 equipment, mobile phones, and other electronic devices belonging to the Receivership

1 Entities, and interview Mr. Stollery and certain of his associates at their offices in
2 Sherman Oaks, California and Springfield, Oregon. (*Id.* at ¶ 18.) The Receiver also
3 identified and took control of certain cryptocurrency assets. (*Id.* at ¶ 19.) In addition,
4 the Receiver collected other assets at the Sherman Oaks site and from an office site in
5 Springfield, Oregon that had been leased on behalf of Titanium. (*Id.*)

6 During the First Application Period, H&K professionals provided services to the
7 Receiver for the benefit of the Receivership Entities. (*See id.* at ¶¶ 17-21.) On April 4,
8 2019, this Court partially granted H&K’s First Fee Application. (Amended Order
9 Partially Granting First Interim Fee Application, Dkt. 80.) Specifically, the Court
10 ordered that “H&K’s fees and expenses for the First Application Period are allowed and
11 approved, on an interim basis, in the amounts of \$52,828.49 for attorneys’ fees (as
12 incurred by H&K) and \$66,451.25 for expenses (which reflects the amount invoiced for
13 forensic services rendered by Kroll Cyber Security), which totals \$119,279.74.” (*Id.*)
14 The Receiver has paid Kroll Cyber Security, but the fees awarded to H&K remain
15 unpaid due to the lack of cash to pay these approved expenses. Declaration of Josias N.
16 Dewey (“Dewey Decl.”), submitted herewith, ¶ 3.

17 The Receivership Entities have also incurred additional unpaid expenses (which
18 will be the subject of a separate forthcoming fee and cost application), including, but not
19 limited to: (i) costs and professional fees in the approximate aggregate amount of
20 \$10,170 incurred in connection with accounting services retained by the Receivership;
21 (iii) approximately \$90,427.62 in payroll taxes owed to the IRS for both pre- and post-
22 receivership wages; and (iv) certain ordinary course expenses, such as costs incurred in
23 connection with contacting Technology Base Investment Strategy investors (i.e. hosting
24 fees), incurred by the Receiver in the aggregate amount of \$10,000.00 in administering
25 the Receivership Entities. *Id.* at ¶ 4. Thus, the Receivership Entities have over
26 \$150,000.00 of current liabilities, but the current amount of cash on hand in the
27 Receiver’s bank account is only \$46,417,25. *Id.* at ¶ 5.

1 In addition to the cash on hand, the Receiver has also taken possession, or has
2 caused third-party custodians to freeze, the following assets:

Asset	Units (if applicable)	Unit Value (as of 12/31/2018)	Aggregate Value (as of 12/31/2018)	Unit Value (as of 08/31/2019)	Aggregate Value (as of 08/31/2019)
Bitcoin (BTC)	151.78	\$3,819.740000	\$579,760.14	\$9,630.66	\$1,461,741.57
Bitcoin Cash (BTH)	95.12103983	\$159.890000	\$15,208.90	\$279.94	\$26,628.18
Bitcoin SV	95.12103983	\$87.450000	\$8,318.33	\$129.41	\$12,309.61
Ether (ETH)	2156.288899	\$136.820000	\$295,023.45	\$172.47	\$371,895.15
Litecoin (LTC)	4972.997747	\$31.340000	\$155,853.75	\$64.58	\$321,156.19
Zcash (ZEC)	7.9046	\$58.600000	\$463.21	\$44.77	\$353.89
Dash (DASH)	66.59959886	\$81.610000	\$5,435.19	\$80.19	\$5,340.62
Electroneum (ETN)	21035513.98	\$0.007486	\$157,471.86	\$0.00	\$75,054.71
Computer equipment, televisions, phones (est)			\$5,000.00		\$5,000.00
		Total	\$1,217,534.83		\$2,279,479.94

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13 (See Dkt. 80 at ¶ 5; Dewey Decl. at ¶ 6.)

14 The Receiver has established multiple cryptocurrency wallets to hold the
15 cryptocurrencies listed above and is either (i) in possession or direct or indirect control
16 of the private keys associated with these wallets, or (ii) has caused a third-party
17 custodian to freeze such assets. (First Fee Application at ¶ 6.) Based on values taken
18 from a market aggregator, the value of the cryptocurrency assets is approximately
19 \$2,274,479.94 as of August 31, 2019. (Dewey Decl. at ¶ 7.) This figure should be taken
20 with caution because the value of cryptocurrency assets fluctuates rapidly, and the
21 markets for some cryptocurrencies can be opaque and illiquid, and subject to market
22 manipulation. Furthermore, some assets, like Electroneum (“ETN”), may constitute
23 unregistered securities, making it difficult, or impossible, for the Receiver to liquidate to
24 fiat currency. (First Fee Application at ¶ 6.)

25 Nonetheless, the Receiver now seeks leave of this Court solely to partially
26 liquidate the Receivership Entities’ cryptocurrency assets to pay current and future
27 expenses for which the Receiver has insufficient cash on hand. For those expenses
28

1 requiring court approval, the Receiver intends to file a separate application for approval
2 of such expenses, to the extent not previously approved by the Court.

3 **Argument**

4 The district court’s “power to supervise an equity receivership and to determine
5 the appropriate action to be taken in the administration of the receivership is extremely
6 broad.” *S.E.C. v. Hardy*, 803 F.2d 1034, 1037 (9th Cir. 1986). That broad authority
7 “arises out of the fact that most receiverships involve multiple parties and complex
8 transactions.” *Id.*; *cf id.* (recognizing that “case law involving district court
9 administration of an equity receivership (once the receivership is underway) is sparse . .
10 .”). As such, this Court may now direct all “appropriate action” for the administration of
11 the receivership, including the liquidation of cryptocurrency assets.

12 **Conclusion**

13 For the reasons stated above, H&K therefore respectfully requests that the Court
14 enter an Order:

- 15 (i) Allowing the Receiver and those acting on his behalf to take the necessary
16 steps to partially liquidate the Receivership Entities’ cryptocurrency assets
17 to pay current and future expenses for which the Receiver has insufficient
18 cash on hand; and
- 19 (ii) Directing such other and further relief as the Court deems appropriate.

20
21 Dated: November 1, 2019

Respectfully submitted,

22 /s/ Jose Casal

23 Jose Casal (*pro hac vice*)
24 Holland & Knight LLP

25 *Attorneys for Josias Dewey, Court-appointed*
26 *Receiver for Receivership Entities*

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PROOF OF SERVICE

I am employed in the County of Miami-Dade, State of Florida. I am over the age of 18 and not a party to the within action. My business address is 701 Brickell Avenue, Suite 3300, Miami, Florida 33131.

On November 1, 2019, I served the document described as **MOTION FOR LEAVE TO PARTIALLY LIQUIDATE ASSETS; [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 November 1, 2019, Miami, Florida.

/s/Jose Casal
Jose Casal (*pro hac vice*)

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11 *Attorneys for Josias Dewey, Court-appointed
Receiver for Receivership Entities*

12
13 **UNITED STATES DISTRICT COURT**
14 **CENTRAL DISTRICT OF CALIFORNIA – WESTERN DIVISION**

15
16 SECURITIES AND EXCHANGE
17 COMMISSION,

18 Plaintiff,

19 vs.

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

26 Defendants.

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

**DECLARATION OF JOSIAS N.
DEWEY IN SUPPORT OF MOTION
FOR LEAVE TO PARTIALLY
LIQUIDATE ASSETS**

Date: December 2, 2019

Time: 1:30 pm

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

DECLARATION OF JOSIAS N. DEWEY

I, Josias N. Dewey, declare pursuant to 28 U.S.C. § 1746 as follows:

1. I am an attorney admitted to practice law by the State Bar of Florida. I am employed by Holland & Knight, LLP (“H&K”) as an attorney. I make this declaration in support of H&K’s Motion for Leave to Partially Liquidate Assets. I have personal knowledge of each of the matters set forth below, and, if called as a witness, I could and would competently testify to the facts stated herein.

2. Holland & Knight LLP (“Counsel” or “H&K”), is Counsel to me, Josias N. Dewey, as Court-appointed Receiver (the “Receiver”) for the estates of Defendant Titanium Blockchain Infrastructure Services, Inc. and its subsidiaries and/or affiliates (collectively, the “Receivership Entities”).

3. The Receiver has paid Kroll Cyber Security, but the fees previously awarded by the Court to H&K remain unpaid due to the lack of cash to pay these approved expenses.

4. The Receivership Entities have also incurred additional unpaid expenses (which will be the subject of a separate forthcoming fee and cost application), including, but not limited to: (i) costs and professional fees in the approximate aggregate amount of \$10,170 incurred in connection with accounting services retained by the Receivership; (iii) approximately \$90,427.62 in payroll taxes owed to the IRS for both pre- and post-receivership wages; and (iv) certain ordinary course expenses, such as costs incurred in connection with contacting Technology Base Investment Strategy investors (i.e. hosting fees), incurred by the Receiver in the aggregate amount of \$10,000.00 in administering the Receivership Entities.

5. The current amount of cash on hand in the Receiver’s bank account is \$46,417,25.

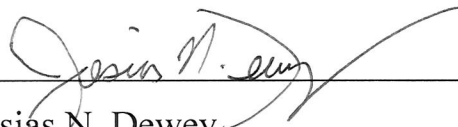
6. The Receiver has taken possession, or has caused third-party custodians to freeze the following assets:

Asset	Units (if applicable)	Unit Value (as of 12/31/2018)	Aggregate Value (as of 12/31/2018)	Unit Value (as of 08/31/2019)	Aggregate Value (as of 08/31/2019)
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Computer equipment, televisions, phones (est)			\$5,000.00		\$5,000.00
		Total	\$1,217,534.83		\$2,279,479.94

7. Based on values taken from a market aggregator, the value of the cryptocurrency assets is approximately \$2,274,479.94 as of August 31, 2019.

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

Dated: October 31, 2019



 Josias N. Dewey
 Holland & Knight LLP

Court-appointed Receiver for Receivership Entities

Holland & Knight LLP
 400 South Hope Street, 8th Floor
 Los Angeles, CA 90071
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PROOF OF SERVICE

I am employed in the County of Miami-Dade, State of Florida. I am over the age of 18 and not a party to the within action. My business address is 701 Brickell Avenue, Suite 3300, Miami, Florida 33131.

On November 1, 2019, I served the document described as **DECLARATION OF JOSIAS N. DEWEY IN SUPPORT OF MOTION FOR LEAVE TO PARTIALLY LIQUIDATE ASSETS** 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 November 1, 2019, Miami, Florida.

/s/Jose Casal
Jose Casal (*pro hac vice*)

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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 GRANTING
MOTION TO PARTIALLY
LIQUIDATE ASSETS**

**[PROPOSED] ORDER GRANTING RECEIVER’S MOTION
FOR LEAVE TO PARTIALLY LIQUIDATE ASSETS**

The Motion for Leave to Partially Liquidate Assets filed by Holland & Knight on behalf of Josias N. Dewey, as Court-appointed Receiver (the “Receiver”) for the estates of Defendant Titanium Blockchain Infrastructure Services, Inc. and its subsidiaries

1 and/or affiliates (collectively, the “Receivership Entities”), came for hearing on
2 December 2, 2019. Appearances were as noted on the record.

3 The Court having received and read the Motion, including any supporting
4 declarations filed therewith and objections filed thereto, and being so advised in the
5 matter and finding good cause, orders as follows:

6
7 The Receiver and those acting on his behalf may take the necessary steps to
8 partially liquidate the Receivership Entities’ cryptocurrency assets to pay current
9 and future expenses for which the Receiver has insufficient cash on hand.

10 For those expenses requiring court approval, the Receiver shall file a separate
11 application for approval of such expenses, to the extent not previously approved
12 by the Court.

13 **SO ORDERED.**

14 _____, 2019 _____

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