

1 DAVID J. VAN HAVERMAAT (Cal. Bar No. 175761)
Email: vanhavermaatd@sec.gov
2 DAVID S. BROWN (Cal. Bar No. 134569)
Email: browndav@sec.gov

3 Attorneys for Plaintiff
4 Securities and Exchange Commission

5 Joseph G. Sansone, Unit Chief (Market Abuse Unit)
New York Regional Office
6 200 Vesey Street, Suite 400
New York, New York 10281

7 Robert A. Cohen, Unit Chief (Cyber Unit)
8 Headquarters
100 F Street, N.E.
9 Washington, District of Columbia 20549

10 Michele-Wein Layne, Regional Director
Amy Jane Longo, Regional Trial Counsel
11 444 S. Flower Street, Suite 900
Los Angeles, California 90071
12 Telephone: (323) 965-3998
Facsimile: (213) 443-1904

13
14 **UNITED STATES DISTRICT COURT**
15 **CENTRAL DISTRICT OF CALIFORNIA**

16
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.**
25 **aka EHI-INSM, INC.; and MICHAEL**
ALAN STOLLERY aka MICHAEL
STOLLAIRE,

26 Defendants.
27
28

CV18-4315-DSF (JPRx)
Case No.

COMPLAINT

(FILED UNDER SEAL)

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CLERK U.S. DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA
LOS ANGELES

1 Plaintiff Securities and Exchange Commission (“SEC”) alleges:

2 **JURISDICTION AND VENUE**

3 1. The Court has jurisdiction over this action pursuant to Sections 20(b),
4 20(d)(1), and 22(a) of the Securities Act of 1933 (“Securities Act”), 15 U.S.C. §§
5 77t(b), 77t(d)(1), and 77v(a), and Sections 21(d)(1), 21(d)(3)(A), 21(e), and 27(a) of the
6 Securities Exchange Act of 1934 (“Exchange Act”), 15 U.S.C. §§ 78u(d)(1),
7 78u(d)(3)(A), 78u(e), and 78aa(a).

8 2. Defendants have, directly or indirectly, made use of the means or
9 instrumentalities of interstate commerce, of the mails, or of the facilities of a national
10 securities exchange in connection with the transactions, acts, practices, and courses of
11 business alleged in this complaint.

12 3. Venue is proper in this district pursuant to Section 22(a) of the Securities
13 Act, 15 U.S.C. § 77v(a), and Section 27(a) of the Exchange Act, 15 U.S.C. § 78aa(a),
14 because certain of the transactions, acts, practices, and courses of conduct constituting
15 violations of the federal securities laws occurred within this district. In addition, venue
16 is proper in this district because defendant Michael Alan Stollery aka Michael Stoller
17 aka Michael Stollaire resides in this district and the defendant entities each have their
18 principal place of business in this district.

19 **SUMMARY**

20 4. This matter involves an investment fraud involving up to \$21 million in
21 cash and digital assets under the guise of an initial coin offering (“ICO”) of a digital
22 asset called “BAR” by Michael Alan Stollery aka Michael Stoller aka Michael Stollaire
23 (“Stollaire”) through two companies that he controls: Titanium Blockchain
24 Infrastructure Services, Inc. (“TBIS”) and EHI Internetwork and Systems Management,
25 Inc. aka EHI-INSM, Inc. (“EHI”) (collectively with Stollaire, “Defendants”).

26 5. Defendants employed a “create and inflate” scheme that enabled them to
27 illegally profit both at the outset of the scheme (when raising money from investors
28 through fraudulent statements in the ICO) as well as later (when continuing to make

1 unsubstantiated claims in hopes of selling their own digital asset, BAR, at inflated
2 values). Defendants' scheme entailed creating their digital asset for a newly conceived
3 business; orchestrating a social media campaign based on false corporate relationships
4 and false testimonials to establish a presence and seeming expertise; generating demand
5 for their digital asset by offering various incentives and creating urgency so investors
6 would invest in the ICO; and, after conclusion of the ICO, inflating the value of the
7 digital asset, which was freely tradeable.

8 6. Between late November 2017 through at least January 25, 2018, the
9 defendants succeeded in raising as much as \$21 million in the form of various digital
10 assets, such as Ether and Bitcoin, and cash from dozens of investors located in at least
11 18 states, including California, and abroad, who purchased BAR.

12 7. Throughout this scheme, Defendants made false and misleading claims all
13 with the purpose of enticing investors and hyping BAR so that Defendants could profit.
14 Defendants' key misrepresentations included prominently identifying by name and logo
15 nearly thirty large well-known companies (and the Federal Reserve) as purported
16 customers, and would-be customers of TBIS's information technology ("IT") services.
17 One of the first images that bombarded investors in defendants' written offering
18 materials depicted a full page chart with the following names and logos:



1 The lure of the companies' names and logos was such that Stollaire himself tweeted
2 out this chart on November 6, 2017 (which remains on his Twitter feed to this day)
3 and mentioned several of these companies by name in the many online interviews he
4 gave about TBIS. TBIS's website also listed names and logos of other companies as
5 purported customers, and would-be customers of TBIS -- Verizon, McDonald's,
6 Cisco, Pfizer, SAP, HP, and Acxiom.

7 8. The defendants did not have relationships with these companies (or the
8 Federal Reserve) and had no basis to represent that any of them were customers of
9 TBIS's services, or even would-be customers of TBIS's services.

10 9. Defendants also advertised in TBIS's whitepaper and other marketing
11 materials a bevy of trademarked products and services TBIS would purportedly
12 provide; however, defendants had no actual trademarks.

13 10. While raising funds from investors on these false pretenses, Stollaire
14 commingled some of the ICO investors' funds with his personal funds, using at least
15 a portion of the offering proceeds for expenses unrelated to TBIS, such as credit card
16 payments and the payment of bills for Stollaire's Hawaii condominium.

17 11. Shortly after completion of the ICO, Stollaire and TBIS began to receive
18 demands from some of the companies in February 2018 that he and TBIS
19 immediately stop referencing the companies and their logos. The defendants
20 removed from TBIS's offering materials the names and logos of the companies, with
21 Stollaire responding to at least one company "I did not know that a procedure would
22 need to have been followed, etc." As of May 21, 2018, the logos of several of the
23 companies are still present on EHI's website.

24 12. In addition to falsely promoting TBIS's and EHI's supposed
25 relationships with the well-known companies, the defendants fictionalized a series of
26 client testimonials that they used on TBIS's and EHI's websites. The testimonials
27 were false and misleading in several ways: either the person quoted no longer worked
28 at the company, the person's quoted name and/or title was fake, and/or the company

1 had not authorized the publication of any testimonials.

2 13. Around the same time that the defendants were receiving cease-and-
3 desist letters from the companies whose names and logos they were improperly using,
4 the defendants announced that in “a malicious act,” approximately 16 million BAR
5 digital assets held by TBIS that could be sold at any time, were stolen in an “illegal
6 theft” thereby devaluing BAR. To address the theft, defendants created a
7 replacement digital asset, TBAR, to issue to BAR investors on a 1:1 basis.

8 14. Faced with a conundrum following the company demand letters and
9 BAR theft, defendants needed to shift their marketing campaign in order to continue
10 with their scheme to promote TBIS and inflate the value of BAR/TBAR, which the
11 defendants themselves still held. The defendants deflected attention away from
12 TBIS’s ersatz customers that had been the centerpiece of its touting: the well-known
13 companies’ names and logos. Now, the defendants tout purported meetings Stollaire
14 has had with unidentified people from unidentified companies based abroad, only
15 describing the entities as “billion-dollar companies” in emerging non-U.S. markets.

16 15. The defendants also touted various trademark-protected intellectual
17 property, services, products, and a slogan that were mentioned in earlier materials,
18 and created a new one to tout, “VORDEX™,” a purported peer-to-peer
19 cryptocurrency exchange. Each of these trademarked names and phrases was
20 intended to validate TBIS’s purported business as a provider of a vast number of
21 blockchain-based IT services. Critically, however, the defendants never owned any
22 of these trademarks. Nevertheless, following the changed marketing campaign, the
23 defendants now highlight these services, including in TBIS’s weekly update. As
24 recently as April 20, 2018, TBIS announced it “is proud to present VORDEX!”

25 16. Stollaire continues to appear for interviews about TBIS and the
26 defendants continue to regularly post on social media in furtherance of the “inflate”
27 part of this scheme. For example, to attempt to create interest and drive up trading
28 volume for BAR/TBAR, on April 27, 2018, the defendants announced a “South

1 Korean Liaison” to promote TBIS “in one of the world’s largest crypto markets” and
2 to focus on “large South Korean exchanges.” On May 4, 2018, the liaison stated she
3 was “getting our token listed on the largest Korean exchanges” and “sourcing Korean
4 crypto influencers to help get the word out.”

5 17. Also on May 4, 2018, TBIS hinted about TBAR trading developments
6 stating, “We are excited to announce that TBAR will be listed on a well known
7 exchange soon. We will make an official announcement after TBAR is live on their
8 platform.” TBIS followed up with an announcement on May 14, 2018: “TBAR
9 Listed on HitBTC!,” a digital asset platform.

10 18. By lying to investors and perpetrating a fraudulent scheme through the
11 TBIS ICO, each of the defendants violated the antifraud provisions of Section 17(a)
12 of the Securities Act and Section 10(b) of the Exchange Act and Rule 10b-5
13 thereunder. In addition, Stollaire and TBIS also violated the securities offering
14 registration provisions of Section 5 of the Securities Act.

15 THE DEFENDANTS

16 19. **Titanium Blockchain Infrastructure Services, Inc.**, a California
17 corporation, is based in Sherman Oaks, California. TBIS’s website is registered to
18 Stollaire. TBIS has never been registered with the SEC in any capacity, and has
19 neither registered any securities with the SEC nor filed any Forms D covering its
20 offering of securities in the form of digital assets. In addition to being incorporated in
21 California, TBIS filed Articles of Incorporation with Wyoming on February 20, 2018,
22 and on March 5, 2018 it filed to become a foreign corporation operating in Oregon.

23 20. **EHI Internetwork and Systems Management, Inc.**, a California
24 corporation, was based in Stollaire’s residence in Sherman Oaks, California, until
25 about March 2018 when it moved to an office in Sherman Oaks. It is also known as
26 EHI-INSM, Inc., which is not incorporated in any jurisdiction. EHI’s website is
27 registered to Stollaire. EHI has never been registered with the SEC in any capacity.

28 21. **Michael Alan Stollery**, age 50, resides in Sherman Oaks, California.

1 He commonly uses the alias Michael Stollaire, and has also used the alias Michael
2 Stoller.

3 22. Stollaire is the founder, CEO, president, and sole director of TBIS, and
4 is the president and sole director of EHI. He is not registered with the SEC in any
5 capacity.

6 **FACTUAL ALLEGATIONS**

7 **A. Background on Initial Coin Offerings**

8 23. An initial coin offering or “ICO” is a fundraising event in which an entity
9 offers participants a unique “coin” or “token” or “digital asset,” in exchange for
10 consideration, often in the form of virtual currency—most commonly Bitcoin and
11 Ether—or fiat currency.

12 24. The digital assets are issued on a “blockchain” or cryptographically secured
13 ledger.

14 25. A blockchain is a type of distributed ledger, or peer-to-peer database spread
15 across a network, that records all transactions in the network in theoretically
16 unchangeable, digitally-recorded data packages called blocks. Each block contains a
17 batch of records of transactions, including a timestamp and a reference to the previous
18 block, linking the blocks together in a chain. The system relies on cryptographic
19 techniques for secure recording of transactions. A blockchain can be shared and accessed
20 by anyone with appropriate permissions. The Bitcoin blockchain is an example of a
21 “non-permissioned,” or public and open access blockchain. Anyone can download the
22 Bitcoin open-source software and join. All participants share a single view of the Bitcoin
23 blockchain, which is updated when Bitcoin network participants reach a consensus on the
24 validity of transactions under review. “Permissioned” or private blockchains are
25 modifications to that model and require permissioned servers to be approved to
26 participate on the network or to access particular information on the
27 blockchain. Blockchains or distributed ledgers can also record what are called smart
28 contracts, which essentially are computer programs designed to execute the terms of a

1 contract when certain triggering conditions are met.

2 26. Generally, digital assets entitle holders to certain rights related to a venture
3 underlying the ICO, such as rights to profits, shares of assets, rights to use certain
4 services provided by the issuer, and/or voting rights. These digital assets may also be
5 listed on online platforms, often called virtual currency exchanges, and tradeable for
6 virtual or fiat currencies. Often, the digital assets are immediately tradeable.

7 27. ICOs are typically announced and promoted through public online
8 channels. Issuers usually release a “whitepaper” describing the offering and the
9 terms of the ICO. To participate, investors are generally required to transfer funds
10 (often virtual currency) to the issuer’s address, online wallet, or other account. After
11 the completion of the ICO, the issuer distributes its unique digital assets, commonly
12 known as “tokens,” to the participants’ unique addresses on the blockchain.

13 28. On July 25, 2017, the SEC issued a Report of Investigation pursuant to
14 Section 21(a) of the Exchange Act that put the digital asset industry on notice that
15 many digital assets are securities and subject to the federal securities laws and the
16 registration requirements, regardless of whether the issuing entity is a traditional
17 company or a distributed ledger or blockchain-enabled means of capital raising,
18 regardless of whether the securities are purchased with U.S. dollars or virtual
19 currencies, and regardless of whether the securities are distributed in certificated form
20 or through distributed ledger technology.

21 **B. Defendants Create BAR**

22 **1. Stollaire Lays the Foundation for the Scheme**

23 29. On August 14, 2017, Stollaire announced on his personal Twitter feed “I
24 just came up with a new idea for an Initial Coin Offering (ICO). Blockchain
25 developers needed. Stay tuned.” From that point, Stollaire increasingly tweeted
26 about digital assets generally, and embarked on a social media campaign to grow his
27 followers and establish an online presence.

28 30. Within weeks of announcing he “just came up with a new idea” for an

1 ICO, Stollaire mentioned TBIS for the first time. One of these posts, on Facebook,
2 depicted a picture of the TBIS logo and a photo showing the cover of a TBIS “White
3 Paper.” A little more than a week after these posts, Stollaire incorporated TBIS on
4 October 10, 2017.

5 31. On the same day he incorporated TBIS, Stollaire also created an official
6 TBIS Twitter account, published the link to the official TBIS Telegram channel and
7 asked his followers to join, and posted an announcement on TBIS’s Facebook page to
8 a YouTube video titled “TBIS Introduction.”

9 32. TBIS portrayed itself as a start-up company seeking to develop an IT
10 platform using blockchain technology. On its various social media accounts, TBIS’s
11 profile is some variation of the following: “Just as steel changed the building industry
12 forever, Titanium will usher in a new era of network construction, based on
13 blockchain technology.”

14 33. Soon after establishing TBIS’s social media accounts/channels, on
15 October 30, 2017, Stollaire tweeted “The Titanium BAR Token, now listed on
16 @CryptoCompare –.” Stollaire also retweeted a post from CryptoCompare (a
17 website devoted to digital assets): “BAR added to Upcoming ICO list.” The next day
18 Stollaire tweeted that the TBIS ICO had been rated and listed on Coin Telegraph
19 (another website that provides news regarding digital assets and blockchain).

20 2. The TBIS ICO

21 34. The TBIS ICO purportedly was designed to “crowdfund” to raise money
22 to create products and services for the TBIS platform. Stollaire admitted as much in
23 a video called “Titanium This Week” posted on YouTube on December 23, 2017. In
24 the video, Stollaire said that ICOs are “simply a miracle” because they allow projects
25 like TBIS to obtain “start-up funding.” In a print interview posted online in
26 December 2017 Stollaire publicly described BAR as a “token we are using to raise
27 money via the ICO method.”

28 35. Stollaire undertook an extensive social media and marketing campaign

1 as a precursor for the ICO launch on January 1, 2018. This campaign included self-
2 produced YouTube videos, frequent social media posts, paid-for interviews and
3 online ads on Facebook, and downloadable materials posted online. Stollaire's
4 promotion included prolific tweets, such as the following illustrative list of
5 announcements in a one week period:

<u>Date</u>	<u>Subject</u>
November 10, 2017	TBIS "pre-sale" to ICO would be open until December 31 st and includes link to TBIS's website, www.tbis.io
November 13, 2017	Details for TBIS ICO listed on website CryptoCanuks.com
November 13, 2017	Stollaire appearance on "The Larry & Joe Show," a talkshow on You Tube where Stollaire will talk "Titanium"
November 14, 2017	TBIS ICO information listed on ICOQuest.com (a website that provides information regarding ICOs)
November 14, 2017	Asks followers to join TBIS Telegram community group
November 15, 2017	TBIS ICO listed on Smith + Crown (a blockchain research organization)
November 17, 2017	TBIS ICO listed on CoinDelite.com (a website that provides information and price charts on ICOs)

26 36. The defendants employed various high pressure sales tactics even before
27 the official launch of the TBIS ICO on January 1, 2018. On November 24, 2017, the
28 defendants announced a "special offer" that TBIS was waiving the minimum

1 purchase amount of \$5,000 and allowing BAR purchases in any amount, saying
2 supplies are limited and will not last long. The next day Stollaire tweeted “Over
3 \$100,000 raised in less than 24 hours!”

4 37. To further generate investor demand in BAR, the defendants devised other
5 incentives. On November 27, 2017, they announced a “Cyber Week Sale” (and include
6 a “cyber Monday” hashtag) where investors will receive a 30% bonus, allowing
7 investors to receive additional BAR, which will decrease by one percent each day
8 during the sale. Later, they offered a free TBIS logo t-shirt or TBIS gear box filled with
9 TBIS logo-emblazoned items when certain quantities of BAR are purchased.

10 38. Meanwhile during this time period, Stollaire or TBIS are mentioned in
11 articles published by *Forbes, Inc.*, and *The Bitcoin News*, and Stollaire, who described
12 himself as a “blockchain evangelist,” is interviewed on shows hosted by cryptocurrency
13 and ICO followers and posted on their YouTube channels.

14 39. Throughout, the defendants distinguished TBIS by highlighting its use of
15 blockchain technology to develop an IT platform, and in online interviews Stollaire
16 framed TBIS as competing with cloud computing services provided by Amazon Web
17 Services and Microsoft Azure.

18 40. Stollaire promotes TBIS as an investment and emphasizes that holders of
19 BAR (investors, Stollaire, and TBIS personnel) would share in TBIS’s future earnings
20 and in appreciation in the value of the BAR digital assets. In a transcript of an online
21 interview posted on January 11, 2018, Stollaire stated, “there’s been multi-generation
22 investments... You know, purchases have taken place where a son or daughter has
23 introduced their mom and their grandmother to Titanium and they’ve purchased
24 it....It’s a good investment.” Stollaire even compared investing in TBIS to purchasing
25 Google stock early on at \$75 per share: “I’ve gone outside the subculture of blockchain
26 and people on the street are investing in it like they would buy stocks and, you know,
27 Intel or Google on Wall Street....[L]ike Google I was one of the lucky that was invited
28 to the lottery, and I bought it at \$75....And so that’s the way I view Titanium.”

3. The TBIS Whitepapers

41. To explain its ICO, TBIS issued several versions of its whitepaper, including one on December 14, 2017 and a revised version of the whitepaper on January 16, 2018. Another revised, undated version of the whitepaper was available on the TBIS website as of April 20, 2018. The website now states “New whitepaper is forthcoming.”

42. Stollaire is the lead author of the TBIS whitepapers and was involved in every revision to the whitepapers through at least the January 16, 2018 whitepaper.

43. In its whitepapers, TBIS represents that, once built, the TBIS platform’s goals will be to provide a variety of IT services, including network infrastructure, and to launch new ICOs.

44. Although BAR was characterized in the TBIS whitepapers as a “utility token,” it did not have any functionality at the time of the ICO (nor does it currently), and was sold as an investment.

45. None of the services that Stollaire and TBIS said that TBIS would offer existed at the time of the ICO, and there was no platform to access and no way to “use” BAR at the time of the ICO.

46. The December 2017 and January 2018 TBIS whitepapers represented that the total overall supply of BAR would be 60 million digital assets, distributed as follows: 60% for investors; 20% held by TBIS (including Stollaire) for incentives and other uses; 10% as “community bounties”; and 10% as a reserve pool.

47. The December 2017 and January 2018 whitepapers represented that the funds raised may be spent on the company during its “maturation and advancement.” The TBIS ICO pooled investor funds for these purposes.

48. The December 2017 and January 2018 TBIS whitepapers outlined the ICO’s minimum fundraising goals, which they describe as a “soft cap” of \$1 million. The whitepapers describe that target as the “runway” necessary for the TBIS platform to be finished and released. The whitepapers also describe a “hard cap” of \$35

1 million, which ostensibly is the ICO's maximum fundraising amount.

2 49. The TBIS whitepapers set forth the price at which BAR digital assets
3 would be offered as 1 BAR per U.S. Dollar along with various bonuses depending on
4 the timing of purchases of the digital assets or investor referrals.

5 50. The defendants successfully managed the first half of their scheme by
6 creating BAR and raising as much as \$21 million from dozens of investors in the
7 United States (including California) and abroad through the TBIS ICO. From just
8 those investors who invested cash, at least 75 investors purchased BAR, including 18
9 who reside in the U.S. Because TBIS also accepted investments in the form of digital
10 assets Ether, Bitcoin, Bitcoin Cash, Litecoin, and Dash, the total number of investors
11 who purchased BAR is not known.

12 51. Stollaire commingled some of the ICO investors' funds with his
13 personal funds. Of more than \$300,000 that the defendants received from investors
14 in cash, more than \$200,000 was transferred to Stollaire's personal bank account. Of
15 the remainder, approximately \$50,000 was used to pay credit card bills and \$50,000
16 was sent to EHI. Stollaire used at least a portion of the offering proceeds for
17 expenses unrelated to TBIS, such as the payment of bills for Stollaire's Hawaii
18 condominium.

19 52. BAR digital assets became immediately tradeable on digital asset
20 platforms and, shortly after the ICO ended, BAR traded actively on several digital
21 asset platforms. Based on data obtained from a blockchain transaction monitoring
22 website, as of May 21, 2018 the current value of one BAR was \$0.004253, and the
23 current value of one TBAR was \$0.243117. Both BAR and TBAR continue to trade
24 on several digital asset platforms.

25 **C. The Defendants Made Material Misrepresentations and Omissions**
26 **in Connection with the TBIS ICO**

27 **1. Fictitious business relationships and testimonials**

28 53. To buttress the defendants' claims that the TBIS platform would be

1 widely accepted by users and TBIS would grow to compete with Amazon and
2 Microsoft, the December 2017 whitepaper represented, under a heading “Business
3 Growth and Development,” that “We will be marketing our platform to ensure
4 healthy growth. This is not only important for ensuring that TBIS remains the best
5 platform...but also for marketplace participants, as their ability to earn BAR will
6 depend entirely on the size of the user base.”

7 54. The December 2017 whitepaper goes as far as containing five-year
8 financial projections that projected TBIS’s sales progressing from \$25 million in
9 2018 to \$51.8 million by 2022.

10 55. To support claims of widespread user acceptance and growth, the
11 December 2017 and January 2018 TBIS whitepapers falsely claim that its “sister-
12 company” EHI had relationships with more than two dozen well-known companies
13 and the Federal Reserve.

14 56. The defendants plainly admit to the importance that TBIS has users of
15 its blockchain-based IT services. The whitepapers matter-of-factly state that “Most
16 Blockchain start-ups and ICOs face a very serious problem after they develop a
17 viable product and or service: finding companies and people that will actually use
18 them” and then boldly – and falsely – proclaim “Titanium will not have this
19 problem.”

20 57. In its December 2017 whitepaper, to establish why TBIS will not have
21 “this problem,” TBIS falsely says that it “will simply inherit” EHI’s clientele and
22 “will leverage” these relationships “immediately.” The whitepaper further touts the
23 purportedly critical benefit of this relationship as “The EHI Advantage” and “The
24 EHI ↔ Titanium Connection.”

25 58. It was clear that the defendants considered it important that investors
26 believe TBIS will tap a ready stable of customers through EHI. On the third
27 substantive page of the December 2017 whitepaper, under a section titled
28 “TITANIUM: The EHI Advantage,” the defendants falsely proclaim:

1 What follows is a short excerpt of some of EHI's customers, which Titanium
2 will leverage immediately.

3 CLIENTS

- 4 • Accenture
- 5 • APPLE
- 6 • Applied Materials
- 7 • Boeing
- 8 • Cargill
- 9 • Citizens Bank
- 10 • eBay
- 11 • ERCOT
- 12 • Exelon
- 13 • General Electric
- 14 • Hewlett-Packard
- 15 • Honeywell
- 16 • IBM
- 17 • Intel
- 18 • Microsoft
- 19 • PayPal
- 20 • Pfizer
- 21 • Santa Barbara Bank and Trust
- 22 • Synchrony Financial
- 23 • The Bank of Scotland in Ireland
- 24 • The Federal Reserve Bank
- 25 • The Royal Bank of Scotland
- 26 • TrueCar.com
- 27 • Universal Studios
- 28 • Walt Disney

59. The December 2017 and January 2018 whitepapers included a full page chart containing the logos of all but one of the listed companies with which EHI purportedly maintained business relationships, as well as the Federal Reserve, as depicted below:



60. On TBIS's website as of January 29, 2018, TBIS similarly made false statements about its relationships with numerous specific blue-chip companies. TBIS identified by name and corporate logo nearly thirty well-known companies as clients of EHI – additionally including Verizon, McDonald's, Cisco, Pfizer, SAP, HP, Acxiom – and included a hyperlink to EHI's website for its client list and testimonials. The TBIS website falsely represented specifically with respect to these clients: *"As you can see, the Titanium project had a huge advantage over other Blockchain start-ups and ICOs, before anyone on the Titanium Team ever lifted a finger."* (Emphasis in original).

1 61. In the January 2018 whitepaper, TBIS continued making false claims of
2 relationships with top corporations by showcasing once more the corporate logos, and
3 describing the companies as “EHI’s customers, which Titanium could potentially
4 leverage immediately.”

5 62. In addition to TBIS prominently highlighting its fabricated business
6 relationships with the well-known companies in its whitepapers, which were
7 accessible on TBIS’s website, and on TBIS’s and EHI’s websites themselves,
8 Stollaire emphasized these fake relationships in interviews about the company’s ICO.

9 63. For example, Stollaire responded in an interview on a YouTube channel,
10 “P2P Cryptoz” on January 11, 2018, when asked how TBIS would compete with the
11 “giants” in the industry: “[i]t’s the inroad that I previously had with my first
12 company, EHI. These relationships are real. We’re in talks with McDonald’s, with
13 Walt Disney, with Intel, with Verizon right now....We’ve got quite a client list.”

14 64. In another interview on February 12, 2018, which was posted online,
15 Stollaire claimed that “EHI’s clients are household names from the Fortune 500,
16 Government and Education, which is a huge advantage for Titanium. I envisioned
17 Titanium as ‘EHI v2.0’ that would provide Infrastructure as a Service (IaaS) to EHI’s
18 existing clientele, which will be a warm handoff from a known, trusted source...”

19 65. In fact, and inconsistent with Stollaire’s descriptions, EHI was merely an
20 entity through which Stollaire performed contracted-for IT services on discrete
21 assignments or resold certain IT gear.

22 66. Contrary to the defendants’ representations in the whitepapers, on TBIS
23 and EHI websites, and in interviews, none of these entities had any business
24 relationship with TBIS, and none of them had any business relationship that involved
25 blockchain technology, digital assets, or an ICO. Nothing about their connections
26 with EHI warranted the false claims that TBIS would benefit from their business.
27 And critically, none of the entities had authorized use of their name or logo in
28 connection with the TBIS ICO or for any other related purpose, or had even heard of

1 TBIS.

2 67. By emphasizing these purported relationships, the defendants falsely told
3 investors that TBIS would “immediately” receive business from these entities, and
4 included baseless financial projections, thereby seemingly generating expected future
5 returns for TBIS and for BAR purchasers.

6 68. In February 2018, Stollaire began receiving cease-and-desist letters from
7 some of the companies whose names and logos he was using with neither their
8 permission nor any factual basis for doing so. He vowed to several such companies
9 that he would remove their names and logos at once—in effect conceding he had no
10 basis for using them.

11 69. Stollaire knew that TBIS had no such clients or prospects, and he knew
12 that using their logos infringed on the companies’ trademarks. In responding to a
13 cease-and-desist letter from one company on March 15, 2018, Stollaire claimed “we
14 were not aware that this constituted infringement,” even though he had been notified
15 by a different company the month before that the use of its trademark constituted
16 infringement.

17 70. The misrepresentations regarding TBIS’s purported clients are material.
18 The misrepresentations about business relationships between TBIS, EHI, and
19 Stollaire and the multinational corporations go to the core of TBIS’s purported IT
20 platform and claimed business operations. They are likely to alter a reasonable
21 investor’s view of the legitimacy and viability of TBIS’s securities offering because
22 they relate to TBIS’s ability to develop and market its platform, and consequently, the
23 likelihood that investors will receive any return on their investment or the return of
24 their principal.

25 71. Each of the defendants knew or was reckless in not knowing, or acted
26 negligently in not knowing that their representations that TBIS was positioned to
27 inherit EHI’s purported clients were false. The defendants also knew or were
28 reckless in not knowing, or acted negligently in not knowing that the well-known

1 companies identified by name and logo in TBIS's whitepapers and linked through
2 EHI's website did not have any business relationship with TBIS and had not
3 authorized the use of their name or logo in connection with the TBIS ICO.

4 72. TBIS's website also linked to EHI's website, which contained several
5 testimonials from individuals purporting to be associated with the various companies
6 and the Federal Reserve. The defendants' use of testimonials served to give credence
7 to the existence of the corporate relationships.

8 73. These testimonials, however, were false and misleading in several ways:
9 (a) for at least two of the companies, the person never gave the testimonial that
10 defendants posted; (b) for at least two of the companies, the person quoted as
11 providing a testimonial never held the position listed in the testimonial; (c) for at least
12 four of the companies, the person quoted as providing a testimonial no longer worked
13 at the company when the defendants posted their testimonial; and (d) for at least four
14 of the companies, the company did not authorize the posting of the testimonial.

15 74. For example, one of the illegitimate testimonials was from a purported
16 "Director of Network Engineering" for eBay. The testimonial stated that "EHI is all
17 about doing a quality job and delivering the results without delay. It has been a
18 pleasure working with EHI." In reality, the purported source of the testimonial never
19 held or used the title that was attributed to him, and he denied providing the
20 testimonial that was attributed to him. Moreover, eBay did not authorize the use of
21 the testimonial or the company's name or logo on the TBIS website.

22 75. Another testimonial was attributed to a purported operations manager
23 named "Gibson" at TrueCar.com. That testimonial stated that EHI "installed and
24 managed a sophisticated set of tools" and that TrueCar was "able to better manage
25 and administer the complex system with the help of EHI's expertise." But there is no
26 record of any individual with the last name of Gibson having worked at TrueCar or
27 its predecessor since September 2015. Moreover, TrueCar would not have approved
28 the use of the testimonial in any event, given the absence of any ongoing business

1 relationship between the company and TBIS, EHI, or Stollaire.

2 76. Another example further highlights the defendants' fraudulent use of the
3 testimonials. A testimonial attributed to a "Director of Enterprise Technology" at
4 Santa Barbara Bank and Trust stated that EHI "provided expert level assistance in
5 getting our enterprise management and IT Security installation customized to our
6 requirements....I would definitely use his (sic) services again if I had the opportunity
7 to." A second testimonial attributed to a senior systems administrator at the same
8 bank stated that "EHI was the lead on some major projects...[h]is professionalism
9 and technical skills were far above what we were used to....[h]e was able to
10 implement and troubleshoot issues far better than anyone I've ever worked with."
11 But no one with the names of the purported authors of the testimonials worked at the
12 bank at least as far back as August of 2012, when the bank merged with Union Bank,
13 NA. Moreover, neither Santa Barbara Bank and Trust nor Union Bank ever
14 authorized TBIS, EHI, or Stollaire to use the bank's name or logo in their marketing
15 or advertising or for any other purpose, nor did they authorize the use of the
16 purported testimonials.

17 77. One more example of the egregious nature of the defendants' use of the
18 testimonials is the purported testimonial from a "service delivery manager" with the
19 Federal Reserve Bank. The testimonial states, in its entirety, "Best enterprise
20 management team I have ever worked with. Talented, conscientious, hard worker,
21 excellent communication skills. The entire package!" The purported author of the
22 testimonial, however, was not an employee of the Federal Reserve Bank, nor
23 authorized to speak on its behalf, but rather was a contractor from May 2010 to
24 September 2012.

25 78. The misrepresentations regarding the testimonials are material. The
26 illegitimate testimonials and recommendations from representatives of purported
27 large users of IT services attesting to Stollaire's and EHI's expertise, knowledge, and
28 dedication as IT providers relate to TBIS's ability to develop and market its platform,

1 and consequently, the likelihood that investors will receive any return on their
2 investment or the return of their principal.

3 79. Each of the defendants knew or was reckless in not knowing, or acted
4 negligently in not knowing that their representations that the testimonials lauding
5 TBIS were fabricated, misleading, and/or unauthorized.

6 **2. Defendants falsely represent that they own intellectual**
7 **property**

8 80. The TBIS whitepapers and other marketing materials included detailed
9 descriptions of several products and services that would be available on the TBIS
10 platform, as well as slogans that TBIS used: Company as a Service™, Bring Your
11 Own Cloud™ (BYOC™), DEXchange™, Mining as a Service™, Instant ICO
12 Incubator™, Desktop as a Service™ (DaaS™), CryptoEscrow™, The Ultimate
13 Strength of the Blockchain ... Unleashed™, VORDEX™.

14 81. The whitepapers listed these purportedly trademark-protected items
15 along with other products under the heading “CORE OBJECTIVES, PRODUCTS
16 AND SERVICES.”

17 82. By affixing the “™” symbol to TBIS’s core products and services, the
18 defendants represented these to be trademark-protected.

19 83. None of the claimed trademarks belong to the defendants. And with one
20 exception, none of the claimed trademarks even has an application pending with the
21 U.S. Patent and Trademark Office (“PTO”). The chart below lists the services or
22 phrases claimed by TBIS, and their statuses under the PTO:

Service Name or Slogan	U.S. Patent and Trademark Office Status
Company as a Service™	applications filed by EHI and an unrelated entity pending
Bring Your Own Cloud™ (BYOC™)	Not registered to defendants
DEXchange™	Not registered to defendants
Mining as a Service™	Not registered to defendants
Instant ICO Incubator™	Not registered to defendants
Desktop as a Service™ (DaaS™)	Not registered to defendants

Service Name or Slogan	U.S. Patent and Trademark Office Status
Company as a Service™ (CaaS™)	Not registered to defendants
CryptoEscrow™	Not registered to defendants
The Ultimate Strength of the Blockchain... Unleashed™	Not registered to defendants
VORDEX™	Not registered to defendants

84. In addition, the legitimacy of another TBIS core product listed, “Infrastructure as a Service (IaaS),” is dubious. According to the December 2017 and January 2018 whitepapers, in a “Development Roadmap” chart setting out milestones and timeframes, TBIS represents it would release the “Core Platform IaaS” shortly after the ICO, and well within the first half of 2018. Despite claiming only \$1 million was needed as the “runway” necessary for the TBIS platform to be finished and released, and even though it raised as much as \$21 million, TBIS inexplicably claimed that it would release a “demonstration” of this self-described proprietary and core product on or before March 1, 2018. By April 2018 TBIS had changed the milestone on the development roadmap from “Core Platform IaaS” to “Minimum Development Product (MVP)”.

85. TBIS released a demonstration of product on or before March 1, 2018, but significant questions exist regarding what it released because TBIS’s Chief Technology Officer at the time of the release denounced the demonstration as “fake” in an interview posted on YouTube around March 13, 2018.

86. Following the interview, the CTO was terminated.

87. If nothing else, the “demonstration” revealed on March 1, 2018 did not constitute any working product or service ready for any customer. The lack of any working product or service, lack of any trademark protected product or service, and lack of any customer reveals that TBIS baselessly projected revenue to reach \$25 million in 2018.

88. The misrepresentations regarding TBIS’s purported intellectual property are material, in that they relate to the legitimacy of TBIS’s products, services, and

1 slogans, and consequently to TBIS's ability to develop and market its platform and
2 the likelihood that investors will receive any return on their investment or the return
3 of their principal.

4 89. Each of the defendants knew or was reckless in not knowing, or acted
5 negligently in not knowing that the products and services that they claimed were
6 trademarked were not.

7 **D. The BAR Theft and the Creation of TBAR**

8 90. Shortly after completion of the ICO, and after receiving demand letters
9 that Stollaire and TBIS cease using companies' names and logos, on February 22,
10 2018, TBIS announced that 16 million BAR digital assets had been "taken" from
11 TBIS digital wallets "in a malicious act" and issued a notice to the digital asset
12 platforms to halt BAR trading as a result of the "illegal theft."

13 91. In response to the theft and to avoid dilution of BAR, TBIS announced it
14 created a second digital asset, called TBAR, to replace BAR on a 1:1 ratio. TBIS
15 announced that it would issue TBAR to all investors who had purchased BAR from
16 TBIS during the ICO, and to investors who had purchased BAR through digital asset
17 platforms.

18 92. In one of the few interviews Stollaire gave in the few weeks following
19 the theft, he claimed that he had reported the BAR theft to the Los Angeles Police
20 Department.

21 93. As of May 14, 2018, TBIS acknowledged that BAR remained trading on
22 digital currency exchanges in response to an investor's question and comment that the
23 continued trading of BAR made it confusing to "new investors and also draws
24 attention from TBAR."

25 **E. Defendants' Attempts to Prop Up or Inflate TBAR**

26 94. TBIS's purported business model underwent an abrupt change following
27 the cease-and-desist letters and the reported BAR theft. Instead of promoting TBIS's
28 connections to U.S. blue-chip companies, Stollaire has begun touting connections to

1 “billion dollar companies” in non-U.S. emerging markets, and claiming that TBAR is
2 available for purchase by Chinese citizens only.

3 95. The defendants increasingly appear to be focused on generating trading
4 activity in TBAR, including overseas. On April 27, 2018, TBIS announced it had
5 “recruited” an individual as its new “South Korean Liaison” who would promote
6 TBIS “in one of the world’s largest crypto markets.” Her responsibilities include
7 “immediately . . . focusing on large South Korean exchanges, social media
8 influencers . . .”

9 96. In a May 4, 2018 update from TBIS, the liaison stated she was “getting
10 our token listed on the largest Korean exchanges” and “sourcing Korean crypto
11 influencers to help get the word out” in response to a question about her progress.

12 97. In the same update, TBIS also stated “we are excited to announce that
13 TBAR will be listed on a well-known exchange soon. We will make an official
14 announcement after TBAR is live on their platform.”

15 98. On May 14, 2018, TBIS announced “TBAR Listed on HitBTC!”

16 **F. TBIS’s ICO and the BAR and TBAR digital assets were not**
17 **registered with the SEC**

18 99. Federal securities laws require that companies disclose certain
19 information through the registration of the offer or sale of securities with the SEC.
20 This information allows investors to make informed judgments about whether to
21 purchase a company’s securities.

22 100. The TBIS ICO is an offering of securities, in the form of BAR (and later
23 TBAR) digital assets, which must be registered with the SEC unless an exemption
24 applies. No registration exemption applies to the TBIS ICO or to the BARs or
25 TBARs. The TBIS ICO was not limited by number of investors, or investor
26 accreditation status. TBIS and Stollaire offered and sold securities in the form of
27 BAR (later TBAR) digital assets to the general public, including to investors
28 throughout the United States.

101. TBIS is liable for the registration violations because it was the issuer of the BAR (and later TBAR) digital assets. Investors sent funds and digital assets to TBIS accounts to purchase the BAR digital assets. Stollaire is liable under for the registration violations because he was a necessary participant and a substantial factor in the offer and sale of securities in the form of BAR digital assets. The BAR digital assets were sold through the TBIS website that Stollaire set up to attract investors. Stollaire incorporated TBIS, created TBIS's social media accounts, was the lead author of TBIS's whitepapers, and was the sole signatory on TBIS's bank accounts during the ICO. But for Stollaire's actions, the unregistered offers and sales of BAR digital assets would not have occurred.

102. The defendants' offer and sale of BAR and TBAR digital assets was not registered with the SEC in any way.

FIRST CLAIM FOR RELIEF

Fraud in Connection with the Purchase or Sale of Securities

Violations of Section 10b of the Exchange Act

And Rules 10b-5(a) and 10b-5(c) Thereunder

(Against All Defendants)

103. The SEC realleges and incorporates by reference paragraphs 1 through 102 above.

104. As alleged above in paragraphs 29 through 98, each of the defendants participated in activities with the principal purpose and effect of creating a false appearance regarding TBIS's ability to obtain as customers the companies with which EHI purportedly had an existing business relationship, and the intellectual property status of TBIS's purported trademarks, in order to, among other things, convince investors to invest in TBIS.

105. By engaging in the conduct described above, each of the defendants, directly or indirectly, in connection with the purchase or sale of a security, by the use of means or instrumentalities of interstate commerce, of the mails, or of the facilities

1 of a national securities exchange, with scienter: (a) employed devices, schemes, or
2 artifices to defraud; and (b) engaged in acts, practices, or courses of business which
3 operated or would operate as a fraud or deceit upon other persons.

4 106. By engaging in the conduct described above, each of the defendants
5 violated, and unless enjoined will continue to violate, Section 10(b) of the Exchange
6 Act, 15 U.S.C. § 78j(b), and Rules 10b-5(a) and 10b-5(c) thereunder, 17 C.F.R. §§
7 240.10b-5(a) and 240.10b-5(c).

8 **SECOND CLAIM FOR RELIEF**

9 **Violations of Section 10(b) of the Exchange Act and Rule 10b-5(b) Thereunder** 10 **(Against All Defendants)**

11 107. The SEC realleges and incorporates by reference paragraphs 1 through
12 102 above.

13 108. As alleged above in paragraphs 29 through 98, each of the defendants
14 made material misrepresentations and omissions to investors and prospective
15 investors regarding TBIS's ability to obtain as customers the companies with which
16 EHI purportedly had an existing business relationship, and the intellectual property
17 status of TBIS's purported trademarks in order to, among other things, convince
18 investors to invest in TBIS.

19 109. By engaging in the conduct described above, each of the defendants
20 directly or indirectly, in connection with the purchase or sale of a security, and by the
21 use of means or instrumentalities of interstate commerce, of the mails, or of the
22 facilities of a national securities exchange, with scienter, made untrue statements of a
23 material fact or omitted to state a fact necessary in order to make the statements
24 made, in the light of the circumstances under which they were made, not misleading.

25 110. By engaging in the conduct described above, each of the defendants
26 violated, and unless enjoined will continue to violate, Section 10(b) of the Exchange
27 Act, 15 U.S.C. § 78j(b), and Rule 10b-5(b) thereunder, 17 C.F.R. § 240.10b-5(b).

28 **THIRD CLAIM FOR RELIEF**

Fraud in the Offer or Sale of Securities
Violations of Section 17(a)(1) and 17(a)(3) of the Securities Act
(Against All Defendants)

111. The SEC realleges and incorporates by reference paragraphs 1 through 102 above.

112. As alleged above in paragraphs 29 through 98, each of the defendants participated in a scheme to defraud purchasers of TBIS's securities by falsely characterizing TBIS's ability to obtain as customers the companies with which EHI purportedly had an existing business relationship, and the intellectual property status of TBIS's purported trademarks in order to, among other things, convince investors to invest in TBIS.

113. By engaging in the conduct described above, each of the defendants, directly or indirectly, in the offer or sale of securities, and by the use of means or instruments of transportation or communication in interstate commerce or by use of the mails directly or indirectly: (a) with scienter, employed devices, schemes, or artifices to defraud; and (c) with scienter or negligently, engaged in transactions, practices, or courses of business which operated or would operate as a fraud or deceit upon the purchaser.

114. By engaging in the conduct described above, each of the defendants violated, and unless enjoined will continue to violate, Sections 17(a)(1) and 17(a)(3) of the Securities Act, 15 U.S.C. §§ 77q(a)(1) and 77q(a)(3).

FOURTH CLAIM FOR RELIEF

Fraud in the Offer or Sale of Securities
Violations of Section 17(a)(2) of the Securities Act
(Against All Defendants)

115. The SEC realleges and incorporates by reference paragraphs 1 through 102 above.

116. As alleged above in paragraphs 29 through 98, each of the defendants

1 obtained money by means of untrue statements and omissions regarding TBIS's
2 ability to obtain as customers the companies with which EHI purportedly had an
3 existing business relationship, and the intellectual property status of TBIS's purported
4 trademarks.

5 117. By engaging in the conduct described above, each of the defendants,
6 directly or indirectly, in the offer or sale of securities, and by the use of means or
7 instruments of transportation or communication in interstate commerce or by use of
8 the mails directly or indirectly, with scienter or negligently, obtained money or
9 property by means of untrue statements of a material fact or by omitting to state a
10 material fact necessary in order to make the statements made, in light of the
11 circumstances under which they were made, not misleading.

12 118. By engaging in the conduct described above, each of the defendants
13 violated, and unless enjoined will continue to violate, Section 17(a)(2) of the
14 Securities Act, 15 U.S.C. § 77q(a)(2).

15 **FIFTH CLAIM FOR RELIEF**

16 **Unregistered Offer and Sale of Securities**

17 **Violations of Sections 5(a) and 5(c) of the Securities Act**

18 **(Against TBIS and Stollaire)**

19 119. The SEC realleges and incorporates by reference paragraphs 1 through
20 102 above.

21 120. As alleged above in paragraphs 29 through 52 and 99 through 102,
22 defendants TBIS and Stollaire directly or indirectly offered and sold securities of
23 TBIS in an offering or offerings that were not registered with the SEC.

24 121. By engaging in the conduct described above, defendants TBIS and
25 Stollaire directly or indirectly, singly or in concert with others, have made use of the
26 means or instruments of transportation or communication in interstate commerce, or
27 of the mails, to offer to sell or to sell securities, or carried or caused to be carried
28 through the mails or in interstate commerce, by means or instruments of

1 transportation, securities for the purpose of sale or for delivery after sale, when no
2 registration statement had been filed or was in effect as to such securities, and when
3 no exemption from registration was applicable.

4 122. By engaging in the conduct described above, defendants TBIS and
5 Stollaire violated, and unless enjoined will continue to violate, Sections 5(a) and 5(c)
6 of the Securities Act, 15 U.S.C. §§ 77e(a) & 77e(c)

7 **PRAYER FOR RELIEF**

8 WHEREFORE, the SEC respectfully requests that the Court:

9 **I.**

10 Issue findings of fact and conclusions of law that the defendants committed the
11 alleged violations.

12 **II.**

13 Issue judgments, in forms consistent with Rule 65(d) of the Federal Rules of
14 Civil Procedure, temporarily, preliminarily, and permanently enjoining Defendants and
15 their officers, agents, servants, employees and attorneys, and those persons in active
16 concert or participation with any of them, who receive actual notice of the judgment by
17 personal service or otherwise, and each of them, from violating Section 17(a) of the
18 Securities Act [15 U.S.C. § 77q(a)], and Section 10(b) of the Exchange Act [15 U.S.C.
19 §§ 78j(b)] and Rule 10b-5 thereunder [17 C.F.R. § 240.10b-5], and enjoining
20 defendants TBIS and Stollaire and their officers, agents, servants, employees and
21 attorneys, and those persons in active concert or participation with any of them, who
22 receive actual notice of the judgment by personal service or otherwise, and each of
23 them, from violating Sections 5 of the Securities Act [15 U.S.C. §§ 77e].

24 **III.**

25 Issue, in a form consistent with Fed. R. Civ. P. 65, a temporary restraining order
26 and a preliminary injunction freezing the assets of Defendants, requiring accountings
27 from each of the Defendants, appointing a receiver over TBIS, prohibiting each of the
28 Defendants from destroying documents, and granting expedited discovery.

1 **IV.**

2 Order Defendants to disgorge all funds received from their illegal conduct,
3 together with prejudgment interest thereon.

4 **V.**

5 Order Defendants to pay civil penalties under Section 20(d) of the Securities Act
6 [15 U.S.C. § 77t(d)] and Section 21(d)(3) of the Exchange Act [15 U.S.C. § 78u(d)(3)].

7 **VI.**

8 Issue a judgment, in a form consistent with Fed. R. Civ. P. 65(d), permanently
9 enjoining Stollaire from participating, directly or indirectly, in an offering of digital or
10 other securities.

11 **VII.**

12 Retain jurisdiction of this action in accordance with the principles of equity and
13 the Federal Rules of Civil Procedure in order to implement and carry out the terms of
14 all orders and decrees that may be entered, or to entertain any suitable application or
15 motion for additional relief within the jurisdiction of this Court.

16 **VIII.**

17 Grant such other and further relief as this Court may determine to be just and
18 necessary.

19 Dated: May 22, 2018

/s/ David J. Van Havermaat

David J. Van Havermaat

David S. Brown

Attorneys for Plaintiff

Securities and Exchange Commission