

**COMMONWEALTH OF MASSACHUSETTS  
OFFICE OF THE SECRETARY OF THE COMMONWEALTH  
SECURITIES DIVISION  
ONE ASHBURTON PLACE, ROOM 1701  
BOSTON, MASSACHUSETTS 02108**

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| IN THE MATTER OF:                       | ) |                        |
|   | ) |                        |
| EXOCHAIN PUBLIC BENEFIT CORPORATION and | ) |                        |
| ROBERT E. STEWART, SR.,                 | ) |                        |
| RESPONDENTS.                            | ) | Docket No. E-2021-0092 |
|   | ) |                        |

**ADMINISTRATIVE COMPLAINT**

**I. PRELIMINARY STATEMENT**

The Enforcement Section of the Massachusetts Securities Division of the Office of the Secretary of the Commonwealth (the “Enforcement Section” and the “Division,” respectively) files this Administrative Complaint (the “Complaint”) to commence an adjudicatory proceeding against Exochain Public Benefit Corporation (“Exochain”), a purported blockchain company, and its principal Robert E. Stewart, Sr. (“Stewart”) (together, “Respondents”) for violations of MASS. GEN. LAWS ch. 110A, the Massachusetts Uniform Securities Act (the “Act”), and the regulations promulgated thereunder at 950 MASS. CODE REGS. 10.00 – 14.413 (the “Regulations”). The Enforcement Section alleges that Respondents engaged in acts and practices in violation of Sections 101, 301, and 414 of the Act and accompanying Regulations by: (1) offering to sell and selling unregistered securities primarily to Massachusetts veterans and active duty military personnel; (2) making false and misleading statements in connection therewith; and (3) diverting funds intended for the development of the medical data privacy technology for Respondent

Stewart's own personal use. In total, Stewart swindled investors out of at least two million dollars—including over one million dollars in the Commonwealth.

The Enforcement Section seeks an order: 1) finding as fact the allegations set forth below; 2) finding that all the sanctions and remedies detailed herein are in the public interest and necessary for the protection of Massachusetts investors; 3) requiring Respondents to permanently cease and desist from further conduct in violation of the Act and Regulations; 4) censuring Respondents; 5) permanently barring Respondents from associating with or acting as a(n) broker-dealer, broker-dealer agent, investment adviser, investment adviser representative, Securities and Exchange Commission-registered investment adviser, investment adviser exempted from registration, a person relying on an exclusion from the definition of investment adviser in any capacity, issuer, issuer-agent, or as a partner, officer, director, or control person of any of the foregoing; 6) requiring Respondents to provide an accounting of all proceeds which were received as a result of the alleged wrongdoing; 7) requiring Respondents to pay restitution to compensate investors for all losses attributable to the alleged wrongdoing; 8) requiring Respondents to make rescission offers to all investors who purchased securities sold in violation of the Act; 9) requiring Respondents to disgorge all profits and other direct or indirect remuneration received from the alleged wrongdoing; 10) permanently prohibiting Respondents from offering or selling securities from or within Massachusetts; 11) permanently prohibiting Respondent Stewart from acting as a manager, director, officer, partner and/or control person of any entity offering or selling securities incorporated or otherwise organized in Massachusetts; 12) imposing an administrative fine on Respondents in such amount and upon such terms and conditions as the Director or Presiding Officer may determine; and

13) taking any such further action which may be necessary or appropriate in the public interest for the protection of Massachusetts investors.

## **II. SUMMARY**

Starting in 2017, Robert E. Stewart, Sr. (“Stewart”) targeted active duty military service members and veterans in a scheme to create a medical data storage company using innovative blockchain technology. Ultimately, Stewart failed to deliver on his promise and cheated veterans out of their hard-earned savings, spending hundreds of thousands of dollars on his own personal expenses. In furtherance of his purported technology, Stewart raised over two million dollars, including at least \$1.3 million from Massachusetts residents, primarily veterans and active duty military service members. Instead of using the funds to develop the blockchain technology, Stewart misappropriated the funds for his own personal use. Stewart used investor funds for the down payment on his home and subsequent mortgage payments. Stewart also used the funds to make personal payments to himself and his family members.

Ostensibly, Stewart founded Exochain to design a method to facilitate the secure transfer of medical data from the Department of Veterans Affairs (the “VA”) system to third-party medical providers outside of the VA system. The idea started when a mutual friend introduced Stewart to a physician assistant (the “PA”) in the VA system in Massachusetts. The PA, a former Special Forces medic who had served three (3) combat tours in Iraq and Afghanistan, had identified a privacy concern while working in VA hospitals, and the mutual friend thought Stewart might be able to help the PA improve on his proposed solution to said privacy concern.

In his work at the VA, the PA frequently witnessed older veterans request their medical records to share them with their doctors. These records, which can be quite voluminous, would often turn up on windowsills, in hallways, and elsewhere, leaving sensitive medical records and information exposed. Stewart offered a solution: he would develop a blockchain-based application that would give users ownership of their medical records and enable them to authorize the release of those records to their doctor or medical provider. However, there was a catch: Stewart needed start-up capital to fund Exochain and the development of the blockchain application, as well as the related cryptotoken.

Over the course of fifteen (15) months, Stewart raised and spent more than \$2 million, money purportedly raised to fund Exochain's operations, including more than \$1.3 million from Massachusetts residents. Stewart raised a significant portion of the funds for Exochain from friends of the PA, who are themselves veterans and active duty military. Stewart approached these friends in bursts, raising funds which he claimed he needed to meet Exochain's operational expenditures after he had depleted the available funds in Exochain's and his bank accounts. Stewart raised \$150,000 in June and July 2017, before raising \$200,000 in September. He then raised an additional \$300,000 over the remainder of 2017. Rather than immediately grant investors ownership interests in Exochain, Stewart solicited investments through the sale of Simple Agreements for Future Equity, or SAFEs, promising equity interests in Exochain. SAFEs generally have defined events that trigger the issuance of shares to purchasers of SAFEs, and Exochain was no exception, with a triggering event of the sale of more than \$1,500,000 of preferred stock. In an effort to lend Exochain an air of legitimacy, Stewart began paying "employees," including friends and family, through Paychex, and with the regular expenses came more regular, and more

sizeable, fundraising. Stewart raised nearly \$700,000 in the first quarter of 2018. By May 2018, Exochain was running out of funds, and returned to early investors, raising an additional \$600,000 by promising them that Exochain was preparing to launch an initial coin offering, or ICO, which would generate substantial funds for Exochain and allow Stewart to reward investors handsomely for their faith in him. In fact, at least six (6) Massachusetts veterans, many of whom are involved with military and veteran focused non-profits, including Massachusetts Fallen Heroes and Task Force Dagger Foundation, invested more than \$700,000 with Stewart.

Instead of using the capital for development of the blockchain, Stewart used the funds invested in Exochain as his personal piggy bank, replenishing his personal checking account whenever he ran out of money. Over approximately 13 months, Stewart used more than \$350,000 of Exochain funds for personal expenses, at a cost to Exochain of more than \$400,000, approximately 20% of all funds raised for Exochain. This was in addition to approximately \$170,000 Stewart transferred to friends and family. Stewart spent more than \$100,000 on Amazon during the same time period, and traveled internationally, including to Hong Kong, Singapore, Shanghai, and South Korea, all expenses paid for by the funds contributed by Exochain investors.

The Enforcement Section takes this action to recover investor funds that Respondents obtained through fraudulent means and to prevent further harm to Massachusetts investors by Respondents Robert E. Stewart and Exochain.

### **III. JURISDICTION AND AUTHORITY**

1. The Division has jurisdiction over matters relating to securities pursuant to the Act, codified at Chapter 110A of the Massachusetts General Laws.

2. The Enforcement Section brings this action pursuant to the authority conferred upon the Division by Section 407A and 414 of the Act, wherein the Division has the authority to conduct an adjudicatory proceeding to enforce the provisions of the Act and the Regulations.

3. This proceeding is brought in accordance with Sections 101, 301, and 414 of the Act and the Regulations.

4. The Enforcement Section reserves the right to amend this Complaint and bring additional administrative complaints to reflect information developed during the current and ongoing investigation.

#### **IV. RELEVANT TIME PERIOD**

5. Except as otherwise expressly stated, the conduct described herein occurred during the approximate time period of January 1, 2017, through June 30, 2019 (the “Relevant Time Period”).

#### **V. RESPONDENTS**

6. Exochain, Public Benefit Corporation (“Exochain”) is a public-benefit corporation (“PBC”) organized under the laws of the state of Delaware on June 9, 2017.

7. Robert E. Stewart, Sr. (“Stewart”) is a natural person with a last known address in Kennebunk, Maine. Stewart was the manager of Exochain throughout the Relevant Time period.

#### **VI. RELATED PARTY**

8. Exochain Corporation (“Exochain Corp”) was a corporation formed under the laws of the state of Maine on April 17, 2018 as a branch of Exochain. Exochain Corp’s registration lapsed in August 2019 for failure to file an annual report.

## VII. STATEMENT OF FACTS

### A. Background

#### i. **Stewart Raised Funds for the Operation of Exochain Primarily From Active Duty Military, Veterans, and Their Families**

9. The Enforcement Section commenced an investigation in October 2021, after receiving a complaint from a Massachusetts resident and veteran regarding investments made with Exochain and Stewart.

10. The Enforcement Section's investigation uncovered that between June 2017 and August 2018, Exochain, through Stewart, raised approximately \$2 million through the sale of SAFEs<sup>1</sup> and other equity investments, primarily to veterans and active duty military.

11. Out of the total amount raised, Stewart raised approximately \$1.3 million from Massachusetts residents.

12. Instead of using the capital for development of Exochain, and its purported secure medical information storage functionality, Stewart used a substantial portion of the funds for his own personal purposes.

#### ii. **Stewart Developed Exochain as a Tool to Solve a Problem Facing Veterans**

13. Exochain was launched to design, build, and eventually sell a blockchain application and related cryptotoken, whose purpose was to provide controlled, one time transfer of an individual's medical records to a new doctor or specialist.

14. Exochain sought to simplify the process of veterans transferring necessary medical records both within and outside the Veterans Affairs hospital system.

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<sup>1</sup> SAFEs are Simple Agreements for Future Equity, an agreement between an investor and a company that provides the investor rights to future equity in the company upon the occurrence of defined events. SAFEs differ from warrants in that they do not specify a price per share at the time of the initial investment.

15. Exochain also sought to limit potential privacy and identity theft risks of having veterans, frequently with extensive medical records, carry paper copies of their medical records between appointments.

**iii. Exochain Initially Developed its Technology Using the Names Exochain Protocol and LYNK Token**

16. Exochain's token presale purportedly launched on December 31, 2017.

17. At the time of its token presale, Exochain stated that its network would "encompass a cost-of-compliance reducing framework for all regulated industries that allows end-users to reclaim sovereignty of their data[,] and would address issues affecting clinical research quality.

18. On January 8, 2018, Exochain claimed there were "1.3M LYNK TOKEN holders."

19. This number, 1.3 million, is also the number of purported members of the ACRES BlueCloud network, Exochain's sole partnership, and the purported number of registered medical professionals enrolled in the BlueCloud network. Stewart was the CTO of ACRES prior to the creation of Exochain.

20. On information and belief, the purported 1.3M LYNK token holders were the medical professionals enrolled in ACRES BlueCloud network.

21. By January 17, 2018, Exochain was billing itself as "The Regulated Blockchain Utility" providing identity, legal governance, risk management, and regulatory compliance for blockchain platforms.

22. Exochain described their purportedly patent pending technology as providing the highest standard for secure custody and care of critical data.



23. Exochain claimed to make it possible to record legal control of your critical data, including personally identifying information and medical records, while providing those records to doctors and clinical researchers.
24. Exochain was further conducting a LYNK Token presale “for SEC Accredited Investors only” with a minimum investment of \$25,000, offering a 50% discount on presales, and further discounts for referrals.
25. Exochain at the time claimed that its LYNK blockchain protocol was already the “exclusive global standard for login adjudication for the 1.3 million registered member medical providers currently enrolled in the BlueCloud network.”
26. Despite claiming that the LYNK token was already a global standard, Exochain continued to invite prospective investors to review a Simple Agreement for Future Tokens (“SAFT”) under the heading “INVEST IN THE SOLUTION.”
27. Despite claiming that the LYNK token was already a global standard, Stewart repeatedly failed to provide any evidence to prospective purchasers of Exochain’s product that the LYNK token and related blockchain protocol were ready for implementation.
28. On information and belief, the LYNK token never launched.
- iv. Eventually, Exochain Switched the Names of Its Protocol And Token, Referring to Them as LYNK Protocol and EXO Token**
29. By August 19, 2018, Exochain’s website was selling SAFT’s in EXO, a “US-based, globally compliant, ERC-20 token.”
30. ERC-20 tokens refer to tokens offered on the Ethereum network that are compliant with ERC-20 rules, which dictate *inter alia* how tokens can be transferred, how transactions are approved, how users can access data about a token, and the total supply of tokens.

31. The creation of ERC-20 tokens requires a process known as “burning” where existing Ethereum tokens are destroyed to create the desired ERC-20 token.
32. The only funds transferred from Exochain to any cryptocurrency wallet were funds transferred to Coinbase.
33. On March 13, 2018, Exochain sent nominal funds to Coinbase in connection with verifying the authenticity of the Exochain bank account Stewart linked to his personal Coinbase account. By this date, Stewart’s Ethereum wallet on Coinbase had a balance of just more than 6 Ethereum tokens.
34. On March 14 and 16, 2018, Stewart transferred a total of \$29,000 from the Exochain account to Coinbase, either directly or indirectly. He immediately used these funds to purchase approximately 46.8 Ethereum tokens in two transactions. Following these transactions, Stewart’s Coinbase had a balance of approximately 52.8 Ethereum tokens.
35. Between July 3, 2017, when Stewart made his initial cryptocurrency purchase using Coinbase, and January 10, 2018, inclusive, Stewart transferred a total of \$5,739.98 from his personal bank account to his Coinbase account to purchase Bitcoin, Ethereum, and Litecoin.
36. There were no other cryptocurrency purchases made in Stewart’s Coinbase account during this time.
37. Stewart engaged in no other Ethereum transactions in his Coinbase account until May 23, 2018. Over the course of three transactions in May and June 2018, Stewart sold approximately 52 Ethereum tokens, substantially all the Ethereum tokens in his account,

transferring \$20,000 of the proceeds to his personal account and \$8,000 to the Exochain account.

38. On July 19, 2018, Stewart returned \$4,000 to his Coinbase account from the Exochain account, and used the funds to purchase Ethereum tokens he sent to an ethereum wallet ending in 1107. Notes to the transaction on Coinbase indicate it is for “Exochain Sponsorship Fee.” The receiving account engaged in no other transactions until November 2018, and never engaged in any EXO transactions.

39. On information and belief, neither Stewart nor anyone else burned Ethereum tokens to create EXO tokens.

40. Further, on information and belief, Exochain never created the EXO token.

**v. Stewart Made Extensive Withdrawals from Exochain to Fund Personal Expenditures**

41. Exochain generated no revenue at any point in its existence, and Exochain’s sole source of funds was investor contributions.

42. From Exochain’s bank account opening on June 12, 2017 until April 5, 2018, Stewart was the sole signatory. On April 5, 2018 Exochain’s CFO became a signatory.

43. Between June 2017 and July 2018 inclusive, Stewart caused Exochain to transfer more than \$350,000, at a cost of Exochain of more than \$400,000, approximately 20% of all investor funds raised by Exochain, to his personal bank accounts. Exochain generated no revenue during this time period.

44. Prior to soliciting investors in Exochain, Stewart worked for a company named Sonavation. Despite leaving Sonavation to join the Alliance for Clinical Research Excellence and Safety (“ACRES”) in early April 2016, and disappearing from the

Sonavation website's management page at least a month prior, Stewart continued to receive a biweekly paycheck through January 13, 2017.

45. At least one individual involved in Sonavation was also involved in Exochain, and received payments from Exochain totaling \$27,000, ostensibly for advisory services.

46. This was part of nearly \$170,000 in Exochain investor funds that Stewart paid to friends and family, including his step-father, step-brother, and daughter.

47. From June 12, 2017, when Exochain first received investor funds, through July 17, 2018, inclusive, substantially all funds in Stewart's personal checking account came, directly or indirectly, from Exochain investor funds.

48. On June 13, 2017, the day after the first \$50,000 investment in Exochain, and prior to Stewart's first transfer of Exochain funds to his personal checking account, Stewart's personal bank account balance was \$-1,062.24.

49. Between June 2017 and August 2018, inclusive, Stewart made purchases on Amazon totaling more than \$100,000, paid from the Exochain bank account.

50. Between June 13, 2017, and January 4, 2018, inclusive, Stewart manually initiated all transfers from the Exochain bank account to Stewart's personal bank account.

51. Beginning on January 5, 2018, Stewart received a weekly paycheck through Paychex. Regardless, he made multiple manual transfers when the approximately \$4,700 a week he received was insufficient to keep pace with his spending habits.

52. As an example, on January 30, 2018, Stewart's personal checking account had a beginning balance of \$4,018.82, prior to Stewart transferring \$10,000 from Exochain. On February 1, 2018, Stewart paid a \$3,057.35 mortgage payment on his personal home in Kennebunk, reducing the account balance to \$9,698.49. Without the benefit of the \$10,000

transfer from Exochain, the mortgage payment would have caused Stewart's personal checking account to overdraft. Stewart received his paycheck the following day, but did not return the \$10,000 to Exochain then, or at any point in the future.

**B. Stewart Raised More than \$2 Million from Investors, Including More than \$1.3 Million from Massachusetts Residents**

53. Over the course of approximately sixteen (16) months, Stewart raised more than \$2 million from at least twenty-eight (28) investors, including more than \$1.3 million from at least fifteen (15) Massachusetts residents.

54. At least \$900,000, including at least \$700,000 from Massachusetts residents, was invested by veterans and active duty military members.

**i. Investor 1**

55. In July 2017, the leader of a Massachusetts veterans group, a resident of Boston, Massachusetts ("Investor 1"), entered into a Simple Agreement for Future Equity ("SAFE") with Exochain.

56. In exchange for a payment of \$50,000 by Investor 1 on July 27, 2017, Exochain agreed, upon the issuance of equity financing, to grant Investor 1 preferred stock with a total value of \$50,000.

57. Instead of using Investor 1's funds to build and grow Exochain, Stewart, in his role as manager of Exochain, used Investor 1's funds to pay \$20,000 to a Kennebunk-based attorney, and transferred a total of \$20,000 of Investor 1's funds to his personal account, through two (2) checks for \$10,000 each, one on August 7, 2017, and one on August 18, 2017, each with the memo line "Votem." Stewart further withdrew approximately \$1,400 from Exochain's business account via ATM.

58. Votem is a blockchain-based mobile voting platform. Stewart joined Votem as its Chief Technology Officer in March 2017. Votem never received any funds from Exochain or Stewart, including the checks issued on the Exochain business account.

**ii. Investor 2**

59. An individual from Peabody, Massachusetts (“Investor 2”), invested with Exochain seven (7) times between June 2017 and July 2018, investing a total of \$500,000.

60. Exochain identified Investor 2 as a co-founder on its website.

61. Exochain employed Investor 2 to provide “business development services.”

62. These services consisted of Investor 2 reaching out to his military and veteran contacts to find buyers for the product Exochain was purportedly developing.

63. Investor 2 identified numerous organizations who were interested in buying the product Exochain claimed to be developing, but was unable to finalize any agreements because Exochain and Stewart were unable to provide sufficient evidence of a product in development to satisfy potential buyers of its existence.

64. Investor 2 is heavily involved with Task Force Dagger Special Operations Foundation (“TFD”) and its Operation Restore. TFD provides assistance to wounded, ill, or injured US Special Operations Command members and their families.

65. TFD and ACRES entered into a strategic alliance focused on “addressing the grave health challenges impacting America’s elite special operations forces and their families” in January 2017. A key component of this alliance was the development of the EXO/LYNK token and associated blockchain protocol. Stewart was heavily involved in the creation of this strategic alliance, and Investor 2 was introduced to Stewart through the TFD/ACRES alliance.

66. Investor 2 is a physician assistant with the Veterans Affairs Boston healthcare system and previously served three combat tours in Iraq and Afghanistan as a Special Forces medic in the 2000s.

67. In his role as a physician assistant within the VA medical system, Investor 2 regularly witnessed older veterans request copies of their medical records to share with their doctors, and then saw these same records turn up on bathroom windowsills, in hallways, and elsewhere, leaving sensitive medical records and information exposed.

68. Investor 2 began looking to find a solution that would allow veterans to share their medical records with their doctors, while limiting the potential to expose their sensitive medical records to the public. Investor 2's initial idea was to store the medical records on a wearable Universal Serial Bus ("USB") drive, but this solution ran into compatibility problems, with some entities being unable to access the USB drive, limiting the ability for veterans to provide their medical data to third parties that required it, which would cause them to revert to paper copies, defeating the purpose of the USB drive.

69. Investor 2 was introduced to Stewart through a mutual friend, who was a member of TFD.

70. Stewart proposed to solve Investor 2's problem through the creation of a blockchain application to facilitate the controlled transfer of medical data from client to doctor.

71. Stewart told Investor 2 the next step would be to raise start-up capital to fund the development of Exochain, the blockchain application, and related cryptotokens, and requested his assistance in fundraising.

72. Investor 2 first invested \$50,000 in June 2017.

73. Instead of using Investor 2's funds to build and grow Exochain, Stewart withdrew \$61,500 from Exochain either in cash or through transfers to his personal account and caused Exochain to pay \$22,700 to the managing partner of a Canadian investment fund that focused exclusively on student housing.

74. Investor 2 invested \$100,000 in December 2017 and \$50,000 in January 2018, and instead of using these funds to build and grow Exochain, Stewart used these funds to make purchases on the Oculus VR shop, the Xbox store, Amazon, including Prime Video, at Home Depot, Target, restaurants and grocery stores, on e-commerce platform Digitalriver, which focuses on software, paid \$12,500 to ACRES Global, spent approximately \$2,000 at a Miami nightclub, and purchased a \$999 dollar Theragun.

75. Exochain's bank account had at its peak, on March 6, 2018, a balance of just over \$500,000.

76. On April 27, 2018, the account was overdrafted and remained in overdraft until May 1, 2018, when Investor Two invested an additional \$50,000. Investor Two further invested \$50,000 on May 2, 2018, Exochain used these funds to pay payroll and related expenses totaling more than \$60,000, paid legal expenses of approximately \$27,000, among other expenditures, and again cause the Exochain account to overdraft.

77. The account remained in overdraft until May 17, 2018, when Investor 2 contributed a further \$100,000, returning the account to a balance of \$94,662 after wire transfer fees.

78. Exochain would, again, pay payroll and related expenses exceeding \$61,000 the following day.

79. In the days that followed, with no other additions to the account, Exochain paid approximately \$1,200 to aPersona, a multi-factor authentication platform that protects



account logins and transactions from fraud, \$2,320 to Patton Labs, an information technology service provider serving customers in the banking, automotive, higher education, insurance, and medical industries, and \$3,000 to Idexcel, a professional services and technology solutions provider specializing in cloud services, cloud native services, data platforms and intelligence, automation, and artificial intelligence.

80. Despite claiming that it was developing a blockchain protocol, and associated ERC-20 token, focused on ownership of an individual's personally identifying information, and the ability to control its transfer, and maintaining a payroll in excess of \$60,000 biweekly, nearly a quarter of which was paid to Stewart, Exochain continued to make payments to companies developing products that Exochain claimed to be developing.

81. On July 13, 2018, Investor 2 contributed funds for the final time, investing \$100,000 and increasing Exochain's balance to \$168,503.84.

82. The same day, Exochain paid approximately \$150,000 to Paychex for payroll, of which Stewart received \$10,348.67 after taxes. Exochain further transferred \$10,000 to Stewart's personal account on July 16, reducing Exochain's account balance to \$10,542.17.

83. Before receiving funds from Exochain through Paychex, Stewart's personal account had a balance of \$484.65.

84. Before receiving funds directly from Exochain, Stewart's personal account balance had fallen to \$4,459.63. By August 1, 2018, Stewart's personal account had again fallen to \$6,282.37, and after paying his mortgage, Stewart's account balance was \$2,404.35.

### **iii. Other Investors**

85. Exochain next received investment funds on July 17, 2018, when it received a \$50,000 investment from another resident of Massachusetts, who invested a total of \$200,000 in Exochain.

86. By July 27, 2018, following a trip to Singapore, China, and Hong Kong, purportedly to attend a cryptocurrency conference, Exochain's account was in overdraft.

87. On August 13, 2018, Exochain would receive its final investment, \$40,000 from another Massachusetts resident, who was investing for the first time.

88. On August 14, 2018, Exochain paid \$31,547.38 to Aetna, and, following a number of small payments to Github, Adobe, LinkedIn, Microsoft, Atlassian, Slack, and Ringcentral, the Exochain account overdrafted again. The Exochain account was eventually closed and the negative balance deemed uncollectable.

89. Upon information and belief, Exochain received additional investments from at least 20 other individuals, including at least 10 other Massachusetts residents.

### **C. Stewart Used Exochain Investor Funds to Fund His Lifestyle**

90. From the beginning, Stewart used Exochain's business bank account as his personal piggy bank, withdrawing funds into his personal account when his personal account was overdrafted, or in advance of large personal expenditures.

91. As an example, on June 13, 2017, the day after the first \$50,000 investment in Exochain, and prior to Stewart's first transfer of Exochain funds to his personal checking account, Stewart's personal bank account balance was \$-1,062.24.

92. On June 14, 2017, Stewart paid \$368 for a storage unit, paid a more than \$800 energy bill, and transferred funds to a joint account with his wife.

93. On June 15, 2017, Stewart overdrafted his personal account paying a more than \$800 car payment, and the account balance remained negative until June 19, 2017, when he transferred in \$500 from Exochain and made purchases at Dylan's Candy Bar, Lou Malnati's, and Beatrix, all Chicago area restaurants and shops, as well as Apple. As noted previously, Stewart is a resident of Kennebunk, Maine and was throughout the Relevant Time Period.

94. Stewart used Exochain investor funds to make the down payment and other related expenses to purchase a home in Kennebunk, Maine that would become his personal residence.

95. Specifically, Stewart made payments including \$400 to a home inspection company, \$600 to Cross Country Mortgage, a nearly \$800 car payment, nearly \$900 to FMIC/PIC insurance, and \$18,013.98 to New England Title, LLC.

96. Beginning on October 5, 2017, Stewart used investor funds to pay the more than \$3,000 monthly mortgage payment on his Kennebunk home.

97. For example, on September 25, 2017, Stewart's personal account had a balance of \$1,765.80, before he transferred in \$10,000 in investor funds from Exochain. Stewart made no further deposits into his personal account before paying his October 5, 2017 mortgage payment.

98. As a further example, on October 25, 2017, Stewart's personal account had a balance of \$76.34 before he transferred \$10,000 in investor funds from Exochain. Stewart made no further deposits into his personal account before paying his November 1, 2017, mortgage payment.

99. Despite drawing a salary paid by a third party beginning on January 5, 2018, Stewart continued to make manual withdrawals when \$4,700 a week was insufficient to keep pace with his spending.

100. As an example, on January 30, 2018, after transferring \$10,000 from Exochain, Stewart's personal account had a balance of \$14,018.82. On February 1, 2018, after paying his mortgage, Stewart's personal account had a balance of \$9,698.49. Without transferring Exochain investor funds into his personal account, the payment of the mortgage on his personal residence would have caused his personal account to overdraw. At no point after January 30, 2018, did Stewart return funds to Exochain.

101. Stewart continued to depend on funds he transferred from Exochain to his personal account, above and beyond his approximately \$350,000 annual salary, to pay his personal expenses.

### **VIII. VIOLATIONS OF LAW**

#### **Count I – Violations of M.G.L. c. 110A, § 101**

102. Section 101 of the Act provides:

It is unlawful for any person, in connection with the offer, sale, or purchase of any security, directly or indirectly

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

M.G.L. c. 110A, § 101.

103. The Enforcement Section herein re-alleges and incorporates the allegations of fact set forth in Section VII above.

104. The conduct of Respondents, as described above, constitutes violations of Section 101 of the Act.

**Count II – Violations of M.G.L. c. 110A, § 301**

105. Section 301 of the Act provides:

It is unlawful for any person to offer or sell any security in the commonwealth unless:--

- (1) The security is registered under this chapter;
- (2) The security or transaction is exempted under section 402; or
- (3) The security is a federal covered security.

M.G.L. c. 110A, § 301.

106. Section 401(k) of the Act provides:

“Security” means any note; stock; treasury stock; bond; debenture; evidence of indebtedness; certificate of interest or participation in any profit-sharing agreement; collateral-trust certificate; preorganization certificate or subscription; transferable share’ investment contract; voting-trust certificate; certificate of deposit for a security; certificate of interest or participation in an oil, gas, or mining title or lease or in payments out of production under such a title or lease; or, in general, any interest or instrument commonly known as a “security” or any certificate of interest or participation in, temporary or interim certificate for, receipt for, guarantee of, or warrant or right to subscribe to or purchase, any of the foregoing. “Security” does not include any insurance or endowment policy or annuity contract under which an insurance company promises to pay money either in a lump sum or periodically for life or some other specified period.

M.G.L. c. 110A, § 401(k).

107. Section 14.401 of the Regulations provides:

Investment Contract, as used in Section 401(k) of the Act, includes:

- (1) Any investment in a common enterprise with the expectation of profit to be derived through the essential managerial efforts of someone other than the investor. As used in 950 CMR 14.401, a “common enterprise” means an enterprise in which the fortunes of the investor are interwoven with and dependent upon the efforts and successes of those seeking the investment or a third party; and

(2) Any investment by which an offeree furnishes initial value to an offeror, and a portion of this initial value is subject to the risks of the enterprise, and the furnishing of the initial value is induced by the offeror's promises or representations which give rise to a reasonable understanding that a valuable benefit of some kind over and above the initial value will accrue to the offeree as a result of the operation of the enterprise, and the offeree does not receive the right to exercise practical and actual control over the management of the enterprise.

950 Mass. Code Regs. 14.401.

108. The Enforcement Section herein re-alleges and re-states the allegations of fact set forth in Section VII above.

109. The conduct of Respondents, as described above, constitutes violations of Section 301 of the Act.

**Count III – Violation of M.G.L. c. 110A, § 414(g)**

110. Section 414 of the Act provides, in relevant part:

(g) ... [E]very issuer which proposes to offer a security in the [C]ommonwealth ... shall file with the [S]ecretary, in such form as he by rule prescribes, an irrevocable consent appointing the [S]ecretary or his successor in office to be his attorney to receive service of any lawful process ... which arises under [the Act] or any rule or order hereunder after the consent has been filed...

M.G.L. c. 110A, § 414(g).

111. The Enforcement Section herein re-alleges and re-states the allegations of act set forth in Section VII above.

112. The conduct of Respondents, as described above, constitutes a violation of Section 414(g) of the Act.

## **IX. STATUTORY BASIS FOR RELIEF**

Section 407A of the Act provides:

(a) If the secretary determines, after notice and opportunity for hearing, that any person has engaged in or is about to engage in any act or practice constituting a violation of any provision of this chapter or any rule or order issued thereunder, he may order such person to cease and desist from such unlawful act or practice and may take such affirmative action, including the imposition of an administrative fine, the issuance of an order for an accounting, disgorgement or rescission or any other such relief as in his judgment may be necessary to carry out the purposes of [the Act].

MASS. GEN. LAWS ch. 110A, § 407A.

## **X. PUBLIC INTEREST**

For any and all of the reasons set forth above, it is in the public interest and will protect Massachusetts investors for the Director to enter an order finding that such “action is necessary or appropriate in the public interest or for the protection of investors and consistent with the purposes fairly intended by the policy and provisions of this chapter [MASS. GEN. LAWS ch. 110A].”

## **XI. RELIEF REQUESTED**

The Enforcement Section of the Division requests that an order be entered:

- A. Finding as fact all allegations set forth in Section VII, inclusive of the Complaint;
- B. Finding that all sanctions and remedies detailed herein are in the public interest and necessary for the protection of Massachusetts investors;
- C. Requiring Respondents to permanently cease and desist from further conduct in violation of the Act and Regulations;
- D. Censuring Respondents;
- E. Permanently barring Respondents from associating with or acting as a(n) broker-dealer, broker-dealer agent, investment adviser, investment adviser representative,

Securities and Exchange Commission-registered investment adviser, investment adviser exempted from registration, a person relying on an exclusion from the definition of investment adviser in any capacity, issuer, issuer-agent, or as a partner, officer, director, or control person of any of the foregoing;

F. Requiring Respondents to provide an accounting of all proceeds which were received as a result of the alleged wrongdoing;

G. Requiring Respondents to pay restitution to compensate investors for all losses attributable to the alleged wrongdoing;

H. Requiring Respondents to make rescission offers to all investors who purchased securities sold in violation of the Act;

I. Requiring Respondents to disgorge all profits and other direct or indirect remuneration received from the alleged wrongdoing;

J. Permanently prohibiting Respondents from offering or selling securities from or within Massachusetts;

K. Permanently prohibiting Respondent Stewart from acting as a manager, director, officer, partner, and/or control person of any entity offering or selling securities in Massachusetts;

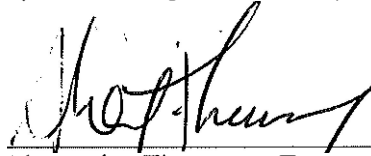
L. Imposing an administrative fine on Respondents in such amount and upon such terms and conditions as the Director or Presiding Officer may determine; and



M. Taking any such further action which may be necessary or appropriate in the public interest for the protection of Massachusetts investors.

**MASSACHUSETTS SECURITIES DIVISION  
ENFORCEMENT SECTION**

By and through its attorneys,

A handwritten signature in black ink, appearing to read 'A. Theuman', written over a horizontal line.

Alexander Theuman, Enforcement Attorney  
Patrick M. Costello, Chief of Enforcement  
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Dated: August 3, 2022