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UNITED STATES BANKRUPTCY COURT
DISTRICT OF UTAH

In re:	Bankruptcy Case No. 24-23041
POWER BLOCK COIN, LLC	Chapter 11
Debtor.	Hon. Cathleen D. Parker

ACTING UNITED STATES TRUSTEE'S RESPONSE TO THE OFFICIAL COMMITTEE OF UNSECURED CREDITORS MOTION TO APPOINT CHAPTER 11 TRUSTEE

The Acting United States Trustee for Region 19, through his counsel, files this Response to the Motion to Appoint a Chapter 11 ("Motion") filed by the Official Committee of Unsecured Creditors ("Committee") to provide more detail regarding a fact issue raised in the Motion and to support the relief requested by the Committee pursuant to 11 U.S.C. § 1104(a).

I. SUMMARY OF RELEVANT FACTS

1. The Debtor filed a voluntary petition ("Petition") for relief under Chapter 11 of the

Bankruptcy Code on June 20, 2024 ("Petition Date"). Aaron Tilton signed the petition in his capacity as an officer of the Debtor.

2. Brad Jones is the Chief Financial Officer of the Debtor.
3. On the Petition Date, the Debtor filed a Motion For an Order (1) Authorizing Continued Use of Debtor's Payment System Through Services Agreement with Blue Castle Holdings, Inc., (2) Waiving Certain Investment and Deposit Guidelines, and (3) Granting Related Relief ("Cash Management Motion") at Dkt. #7.
4. On July 2, 2024, the U.S. Trustee filed an objection to the Cash Management Motion ("UST Objection to Cash Management Motion") at Dkt. #27.
5. On July 4, 2024, the Debtor filed its Schedules and Statement of Financial Affairs ("Schedules" and "SOFA") at Dkt. #39. *See* **Exhibit 1**.
6. On September 16, 2024, the Court entered the order granting the Cash Management Motion as modified ("Cash Management Order") at Dkt. #181. *See* **Exhibit 2**.
7. On October 9, 2024, Debtor's Counsel filed First Application for Interim Compensation at Dkt. #189 requesting an award of $179,005.50 in attorney fees and $12,867.96 in expenses for services performed between the Petition Date and September 30, 2024 ("First Fee Application").
8. On October 28, 2024, creditor Mason Song filed a Limited Objection to the First Fee Application at Dkt. #201. One of the issues raised was whether the Debtor had the means to pay administrative expenses.
9. On November 21, 2024, the Court conducted a hearing on the First Fee Application. The Court approved the First Fee Application per terms stated on the record and scheduled a continued hearing for December 11, 2024 to allow the Debtor time to file a supporting

declaration regarding its ability to pay.

10. On December 10, 2024, the Debtor filed the Declaration of Brad Jones in Support of Blue Castle Holdings, Inc.'s Wherewithal to Pay Fees under the Management Services Agreement and This Court's Order on Cash Management ("Jones Declaration") at Dkt. #234. *See* **Exhibit 3**.
11. On December 12, 2024, the Court entered an Order Authorizing Payment of the First Fee Application ("Order Authorizing Payment of Fees") at Dkt. #238. *See* **Exhibit 4**.
12. On September 22, 2025, the Debtor filed, as an exhibit to the August 2025 MOR, a document titled Trust Details Report that appears to show that $190,970.46 was paid through a trust account at Parsons Behle & Latimer on or about December 16, 2024 ("Parsons Trust Report") at Dkt. #367-7. *See* **Exhibit 5**.
13. The Debtor has filed Monthly Operating Reports ("MOR(s)") throughout this case.

II. DISCUSSION

In the Motion, the Committee provided a list of significant reporting and accounting errors and inaccuracies in the MORs. One of the issues identified was about the payment of attorney fees. In ¶ 26(d) of the Motion, the Committee noted that, in the August 2025 MOR, the Debtor reported $190,970.46 payment of fees to Parsons, but no deduction was made from the Blue Castle Note balance. Despite the fact that this payment was most likely made in December 2024, it was not reflected in the MORs until August 2025[1]. The Motion further states in footnote 9 that, "Perplexingly, it appears that this payment to Parsons came through a wire transfer from an unknown bank account. [Doc. No. 369-6]. This also raises questions about the Debtor's assets and a lack of disclosure regarding those assets."

[1] The correction in August 2025 was made at the request of the U.S. Trustee.

The U.S. Trustee has investigated and discovered the facts surrounding the payment to Parsons. The Committee was not in possession of these facts at the time the Motion was filed. This response is filed to provide the explanation regarding the payment of attorney fees.

The September 2024 MOR includes an exhibit explaining that the Debtor received two checks from Canada "related to theft recovery from years ago" (the "Checks"). Added together, the Checks were worth approximately USD $208,790.15. The Checks could not be deposited as they were made out to the Debtor and the Debtor does not have a bank account. A similar note appeared with the October 2024 and November 2024 MORs. *See* **Exhibit 6** (compiling the applicable pages from the September 2024 MOR filed at Dkt. #196-1, the October 2024 MOR filed at Dkt. #220-1, and the November 2024 MOR filed at Dkt. #247-1).

After the November 2024 MOR, there is no mention of the Checks in the MORs or anywhere else on the docket. The Debtor's Schedules do not list a claim for theft recovery. The Schedules have never been amended to declare the Checks as property of the bankruptcy estate. Neither the Court nor the other parties in interest were notified by the Debtor of the disposition of the Checks.

Pursuant to a written request from the U.S. Trustee, Blue Castle provided a series of emails[2] regarding the Checks. *See* **Exhibit 7**. Based on those emails, it appears that the Debtor began communicating about the Checks in October 2024. Most of the emails from the Debtor are written by Mr. Jones, with copies to Mr. Tilton and Debtor's Counsel, and others. It appears that after the Petition Date, the Debtor engaged an attorney in Canada, Philip Hershman, to pursue this matter. Mr. Hershman has never been employed as special counsel in this case. The U.S.

[2] Some of the emails are duplicates. For the convenience of the Court, the U.S. Trustee has provided only one copy of each email.

Trustee has no information about how much or when Mr. Hershman might have been paid.

On December 6, 2024, Mr. Jones sent an email to Mr. Hershman, asking that the funds be wired to Parsons Behle & Latimer. *See* **Exhibit 7** at p.8. Four days later, Mr. Jones signed the Jones Declaration which attached a screenshot showing that Blue Castle's bank account at Wells Fargo had a balance of $512,153.75 as of December 5, 2024. **Exhibit 3** at ¶ 4 further states that:

> This amount is available to be paid to BCH's account that is separately maintained for the payment of the Debtor's administrative expenses as approved by the Court's Order Authorizing Continued Use of Debtor's Cash Management System Through Services Agreement with Blue Castle Holdings, Inc. and Granting Related Relief (ECF 181).

Despite this sworn statement, it appears that the Checks were used to pay Parsons' attorney fees. Mr. Jones should have been aware of this fact when he signed the Jones Declaration since he was the one who directed Mr. Hershman to wire the funds to Parsons' trust account.

When the Court entered its Order Authorizing Payment of Fees on December 12, 2024, it specified (**Exhibit 4** at ¶ 1):

> The Debtor is authorized, through the use of the Debtor's parent Blue Castle Holdings, Inc., to pay the full amount of Parsons Behle's administrative expense claim pursuant to the Order (1) Authorizing Continued Use of Debtor's Cash Management System Through Services Agreement with Blue Castle Holdings Inc. and (2) Granting Related Relief (ECF 181).

The Order clearly instructed the Debtor to pay the attorney compensation through the Hillcrest Bank Account and deduct the amount paid from the Blue Castle Note. If the Debtor intended to use another method to make the payment, then the Debtor had the responsibility to inform all parties and seek the Court's permission. The Parsons Trust Report shows that the payment was made on December 16, 2024. *See* **Exhibit 5**.

The emails also reveal that, as of April 29, 2025, approximately $6,430 was still being held by Mr. Hershman in his trust account. Mr. Jones stated that he would pay Mr. Hershman's invoice once the remaining funds had been wired to Parsons' trust account. *See* **Exhibit 7** at p.12. The Parsons Trust Report shows a deposit of $6,823.64 on May 13, 2025. *See* **Exhibit 5**. This is probably the remaining funds from the Checks.

In summary, the way the Debtor handled the Checks and the payment of attorney fees shows incompetence and gross mismanagement:

a. The Schedules and SOFA do not list a claim for theft recovery as an asset. The Debtor has never amended the Schedules to disclose the Checks as an asset.

b. The Checks were disclosed only in exhibits to MORs.

c. The Debtor never sought to employ Mr. Hershman as special counsel.

d. The disposition of the Checks was never included in an MOR and remained unknown to anyone but the Debtor and Blue Castle until the U.S. Trustee began inquiring.

e. The Debtor never sought Court approval to deposit property of the bankruptcy estate into Parsons' trust account.

f. The Debtor disobeyed a Court order by paying attorney fees using the Checks rather than using the Cash Management System as instructed.

g. Mr. Jones knew the Checks were being wired into Parsons' trust account and yet signed the Jones Declaration swearing under penalty of perjury that the attorney fees would be paid as described in the Cash Management Order.

h. The Debtor did not report the payment of the attorney fees in the MORs until the U.S. Trustee requested that it be corrected.

i. Debtor's Counsel has not filed an updated Disclosure of Attorney Compensation to disclose the fact that his fees were paid in a method not approved by the Court.[3]

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[3] The U.S. Trustee reserves its rights to pursue an action against Debtor's Counsel for failure to disclose.

j. Funds belonging to the bankruptcy estate remained in Mr. Hershman's trust account until May 2025, when they were apparently wired to Parsons' trust account, again without notice to any party in interest and without approval from this Court.

k. The Debtor may have paid Mr. Hershman's invoice without this Court's approval.

l. Debtor's Counsel was copied on the emails regarding the Checks and did not take steps to correct the Schedules or otherwise disclose the existence of this asset.

One of a debtor's most basic duties is to file a schedule of its assets and liabilities. *See* 11 U.S.C. § 521(a)(1)(B)(i). Creditors and other parties in interest should not have to comb through a debtor's MORs in search of undisclosed assets. "[T]he debtor in possession must file a complete inventory of its property, keep a record of receipts and disposition of money and property, and file complete reports of all its transactions." *In re Americana Expressways, Inc.*, 133 F.3d 752, 756 (10th Cir. 1997). The way this Debtor handled the Checks and paid attorney fees demonstrates incompetence and gross mismanagement.

III. CONCLUSION

WHEREFORE, the United States Trustee respectfully requests that the Court grant the relief requested in the Motion and order the appointment of a chapter 11 trustee, and for such other relief as it deems appropriate.

Date: November 5, 2025

UNITED STATES TRUSTEE

By: */s/ Melinda P. Willden*
MELINDA P. WILLDEN
Attorney for the United States Trustee

CERTIFICATE OF SERVICE BY ELECTRONIC NOTICE (CM/ECF)

I hereby certify that on November 5, 2025, I electronically filed the foregoing document with the United States Bankruptcy Court for the District of Utah by using the CM/ECF system. I further certify that the parties of record in this case, as identified below, are registered CM/ECF users.

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CERTIFICATE OF SERVICE BY MAIL OR OTHER MEANS

I hereby certify that on November 5, 2025, I caused to be served a true and correct copy of the foregoing document as follows:

Mail Service: First-class U.S. mail, postage pre-paid, addressed to:

NONE

Mail Service to all Parties in Interest: First-class mail, postage pre-paid, addressed to all parties who do not receive electronic service as set forth herein listed on the Official Court Mailing Matrix dated November 5, 2025 attached hereto:

NONE

Date: November 5, 2025

/s/