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**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF UTAH, CENTRAL DIVISION**

In re:

POWER BLOCK COIN, L.L.C.

Debtor

Case No. 24-bk-23041-CDP

Chapter 11

Judge Cathleen D. Parker

**MOTION FOR DIRECTION OR APPROVAL REGARDING LIQUIDATION OF
CERTAIN ASSETS IN THE DEBTOR'S B2C2 ACCOUNT**

INTRODUCTION

Power Block Coin, L.L.C., the above-captioned Debtor and Debtor in Possession (the “**SmartFi**” or “**Debtor**”), by and through its undersigned counsel, respectfully submits its *Motion for Direction or Approval Regarding Liquidation of Certain Crypto Assets in the Debtor's B2C2 Account* (the “**Motion**”).

RELEVANT BACKGROUND

A. Events Leading up to the Petition Date

1. Power Block Coin, d/b/a SmartFi, was a Utah limited liability company that provided crypto-based financial services, which historically included cryptocurrency exchange, savings, crypto-based lending, crypto information, token creation and offering, alternative currencies, and cryptocurrency investment. The Debtor generated revenue through interest on loans denominated in dollars and cryptocurrencies, trading and hedging, and fees assessed on certain transactions on its platform.

2. SmartFi operated a platform (the “**Platform**”) for its clients through its website portal at (smartfi.com). SmartFi earned fees from transactions made using its Platform. Specifically, SmartFi’s platform allowed its customers to manage their digital currency wallets. SmartFi’s Platform (which is akin to a messaging system) facilitated customers’ trades and withdrawals, and SmartFi charged fees on certain transactions.

3. The wallets are at all times owned by the customer, and the digital currencies remain property of and under control of the customers. SmartFi does not own these cryptocurrency tokens traded on its Platform and thus has ability to use it to pay its own creditors with it. Likewise, the customers using its Platform to trade have no claims against SmartFi, secured, unsecured, or otherwise, aside from the obligation to execute trades of the cryptocurrency. The customers simply use SmartFi’s Platform, from which activity SmartFi earned income while the platform was active. The Debtor generated revenue through interest on loans denominated in dollars and cryptocurrencies, trading and hedging, and fees assessed on certain transactions on its platform.

4. On the Petition Date, the Debtor disclosed that it did not own or have any interest in the customer's cryptocurrency on its platform. (First-Day Declaration of Aaron Tilton, ECF 8, ¶ 5.) The Debtor also disclosed this in its timely filed schedules. (Schedule B, ECF 39.) When the system was operating on and prior to the Petition Date, the system would initiate customer trades automatically using a messenger service or, in the case of higher value amounts, required additional security authorization for transactions, which the Debtor personnel would handle. Following the Court instructions to shutter the system, all transactions had to be handled manually.

5. Beginning in 2022, the worldwide cryptocurrency markets experienced a rapid collapse and have been in a period of high instability ever since. With a significant amount of the Debtor's assets tied up in illiquid, long-term instruments, and the cryptocurrencies it normally relied on for liquidity experiencing collapse or instability, the Debtor struggled to maintain liquidity necessary to continue its operations.

6. On June 20, 2024 (the "**Petition Date**"), the Debtor filed a petition for relief under chapter 11 of the Bankruptcy Code, commencing this Chapter 11 Case. The Debtor remains in possession of its estate. However, it has ceased to operate its cryptocurrency platform and shuttered it after the Court refused to authorize the funds to maintain operations.

B. Debtor's Banking Issues

7. Prior to the Petition Date in approximately December of 2023 and coinciding with the failure of large and fraudulent cryptocurrency exchanges like FTX and Celsius, the Debtor's banking institutions closed the Debtor's accounts, which complicated the Debtor's ability to manage its cash and payments. While the Debtor continued to hold and exchange cryptocurrencies

on its platform, it had to establish new mechanisms to pay its dollar-denominated operational expenses and take payments of dollar-denominated assets such as loans.

8. The Debtor entered into a Services Agreement dated as of December 1, 2023, with Blue Castle Holdings, Inc (“**Blue Castle**”), the Debtor’s parent company, whereby Blue Castle, using a bank account specifically opened to service debtor expenses, pays for certain of the Debtor’s obligations such as professionals’ fees and expenses attributable to the Debtor, and third-party payables on behalf of the Debtor whenever U.S. dollars are required. Further, Blue Castle also provides certain goods and services such as management services, , internet server hosting costs for the Debtor’s cryptocurrency exchange platform and website, and the like.

9. The Debtor requested, and the Court entered an order (the “**Cash Management Order**”) granted by Motion permission for the Debtor to manage cash needs using its parent Blue Castle Holdings, LLC’s bank account, specifically identified for debtor expenses, under a Management Services Agreement (the “**Management Services Agreement**”). (ECF 181.) The Management Services Agreement authorized the Debtor to use a specially designated Blue Castle bank account (which is held at Hillcrest Bank in the name of Blue Castle) to satisfy any of the Debtor’s cash obligations to be funded by Blue Castle in exchange for credit against an existing loan previously extended by the Debtor to Blue Castle, the “Blue Castle Loan.” (*Id.* at ¶¶ 2-3.)

10. The Debtor has no employees; all work necessary for the operation of the Debtor is provided by Blue Castle employees under the Management Services Agreement. Blue Castle manages the Debtor through its employees. Blue Castle likewise pays these employees’ benefits, payroll taxes, workers’ compensation insurance premiums, and other costs of employment.

C. Reporting Disputes with the Creditors' Committee and US Trustee

11. On July 4, 2024, the Debtor timely filed its Statements of Financial Affairs and Schedules (“**Statements and Schedules**”), which disclosed all of the Debtor’s cryptocurrency holdings as of the Petition Date along with a detailed breakdown of the type, net book, and current value of cryptocurrency assets held by the Debtor. (ECF 39 at 10.)

12. The Debtor granted the Committee and its financial professionals unrestricted access to its Financial Database (which contains the entirety of the Debtor’s cryptocurrency assets from the Debtor’s inception) and demonstrated how to run queries in the database on multiple occasions. The Committee hired Huron Consultants as its financial advisor, who represented that it was familiar with and could operate the Sequel Database program.

13. Throughout the Chapter 11 Case, the Debtor has quickly and completely responded to all requests made by the Committee for information. Most responses were not put on the docket, but rather, information and access were provided directly to the Committee’s professionals on numerous occasions both before and after the Committee filed its Motion to Compel Accounting, (ECF 353.)

14. In October 2025, the Committee propounded extensive document requests, and in response, the Debtor provided all requested documents and even provided login information so that Huron Consultants could log in directly to Fireblocks and see anything they wanted themselves.

15. The repeated source of the Committee’s false allegations that the Debtor has transferred estate assets has been the Debtor’s facilitating transfers by customers of the customers’ own cryptocurrency off of the SmartFi platform. Because the platform is no longer operating,

many customers with significant holdings have asked the Debtor to transfer their customer cryptocurrency off the SmartFi platform. When the Debtor receives an instruction from a customer (usually through email because the Debtor's automatic platform no longer functions) the Debtor manually enters a trade on Fireblocks on the customer's behalf. If it is just one crypto token to another on the system, it all happens internally in Fireblocks . However, the Debtor does not have the capacity to return U.S. dollars to customers because, again, it has no bank account, and it could not use Blue Castle's bank account for this purpose due to regulatory issues.

16. Because the Debtor held its own cryptocurrency holdings using Fireblocks use the same public wallet identifier as the customer's cryptocurrency,¹ each time a customer made a transfer of cryptocurrency, it showed up in the public record of the wallet. The Committee raised transfers from the common wallet address in its Motion to Compel and at other points in this case as evidence of the Debtor somehow dissipating its assets or not properly accounting for its assets to the Court. However, none of the transfers of cryptocurrency have been *Debtor* cryptocurrency: rather, all such transactions were of *non-debtor customer* assets. Prior to the actions taken by B2C2 described below, the Debtor's cryptocurrency holdings have been static and unchanged (in the types they are denominated in) from the beginning of the case as follows, although the USD value fluctuates constantly:

¹ Wallets can hold many peoples' cryptocurrency at once, and so they are not the equivalent of a bank account. The holdings within a single wallet are in different denominations (*i.e.*, Bitcoin versus Ethereum), and the amount of each holder's holdings is carefully tracked on the Debtor's SQL database, which, again, has been provided to the Committee's financial advisors.

Other Inventory or supplies

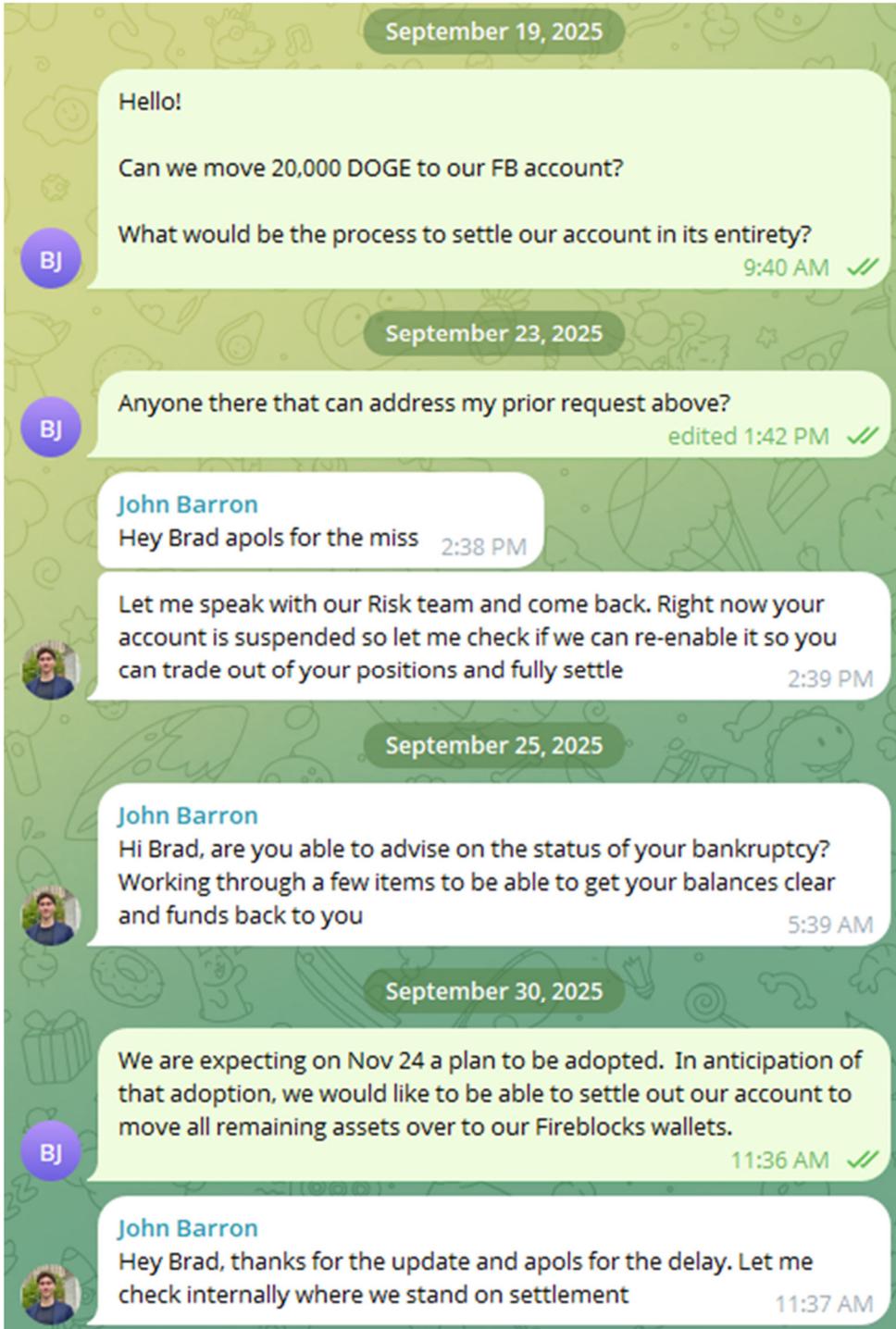
General Description		Valuation Method	Current	12.31.25 USD Spot Price	USD Value
Crypto	Stable Coins	FMV	5,548.1100	1.0000	5,548.11
Crypto	BTC	FMV	0.1701	87,520.0000	14,884.67
Crypto	ETH	FMV	0.1601	2,966.7700	474.99
Crypto	BCH	FMV	4.2836	599.1900	2,566.67
Crypto	DOGE	FMV	17,020.7481	0.1173	1,996.31
Crypto	LINK	FMV	99.9193	12.1900	1,218.02
Crypto	LTC	FMV	73.8126	76.7500	5,665.12
					32,353.89

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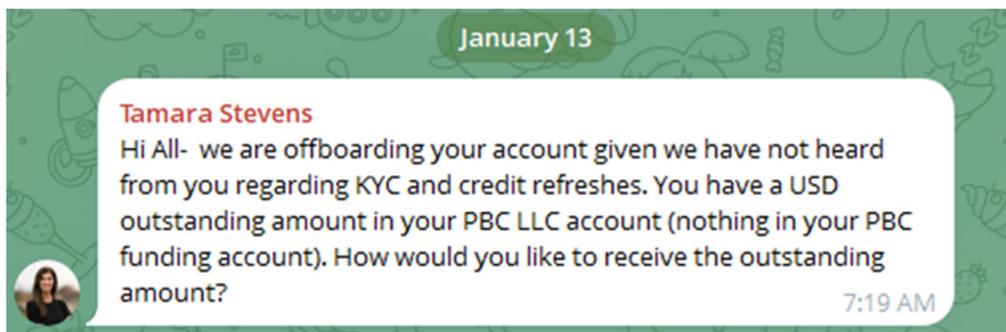
D. Debtor’s B2C2 Account

17. In September 2025, the Debtor asked B2C2 to send assets to Fireblocks to maintain liquidity in the Fireblocks portfolio. Fireblocks is the only wallet that has the ability to transfer directly to customers when complying with client requests. Again, both the B2C2 and Fireblocks wallets contain Debtor’s and Customer assets, so moving assets from one to another did not constitute a transfer from the Debtor’s estate or sale of Debtor assets. B2C2 did not comply with this request:

² This accounting is from the monthly operating report.



18. The Debtor was unable to provide KYC information because it does not have a U.S. bank account in its name. On January 13, 2026, B2C2 sent a message informing the Debtor that it was offboarding its account for failure to provide KYC and credit refreshes.



19. On logging into its B2C2 account, the Debtor discovered that B2C2 had unilaterally liquidated all of the Debtor’s crypto assets without its knowledge or permission.

Trades After 30-Dec-2025 23:59:59 UTC to 31-Dec-2025 23:59:59 UTC (inclusive)

DATE	TRADE ID	ORDER ID	INSTRUMENT	SIDE	QUANTITY	PRICE	BASE QUANTITY	COUNTER QUANTITY
2025-12-31 15:47:27	616bb6f2-82de-4bf2-a545-731bf642992b	None	ETHUSD.SPOT	SELL	1.373557987 ETH	2978.41 USD	1.373557987 ETH	4091.01884406067 USD
2025-12-31 15:47:27	c121a802-efd5-4d2f-8dd4-948490514654	None	LNKUSD.SPOT	SELL	10 LNK	12.3768 USD	10 LNK	123.768 USD
2025-12-31 15:47:27	354162c0-0878-499b-acd5-34eb4dd84516	None	DOTUSD.SPOT	BUY	1.01700001 DOT	1.80787 USD	1.01700001 DOT	1.8386038080787 USD
2025-12-31 15:47:27	8c28b0cc-8a6c-4c09-9e0b-ec4b89264944	None	USDUST.SPOT	SELL	3.49077 UST	1.0015453845283272 USD	3.48538374189 USD	3.49077 UST
2025-12-31 15:47:27	fec2202f-739e-4216-9f52-f9bfca73f908	None	LTCUSD.SPOT	SELL	4.1 LTC	77.3432 USD	4.1 LTC	317.10712 USD
2025-12-31 15:47:27	5daa4e10-63d5-4173-a5fa-af6c1df73411	None	BTCUSD.SPOT	SELL	1.6828222495 BTC	87925.22 USD	1.6828222495 BTC	147962.51650818239 USD
2025-12-31 15:47:27	2ffa6038-5b15-4054-96e4-cdc43d8e181a	None	DOGUSD.SPOT	SELL	19928.001 DOG	0.12075 USD	19928.001 DOG	2406.30612075 USD
2025-12-31 15:47:27	7a24fccc-01d9-4be1-8adb-bb4af9126286	None	BCHUSD.SPOT	SELL	0.155916 BCH	594.69 USD	0.155916 BCH	92.72168604 USD

20. As of December 31, 2025, the Debtor’s B2C2 account reflected a balance of \$15,798.74. All of the cryptocurrency held in the Debtor’s B2C2 account was customer cryptocurrency except 6,328.1581 DOGE, which was Debtor cryptocurrency. The Debtor believes it would be improper to deposit it in the DIP account and comingle the property with its own. The Debtor believes that the best solution is to request B2C2 to convert the USD balance to stable coin and transfer it to its Fireblocks wallet, and transfer the Debtor assets and client assets to separate wallets to assist a future trustee to keep the assets separate. That portion of the assets that were Debtor cryptocurrency (the 6,328.1581 DOGE) could be deposited in USD (approximately

\$2,000) in the Blue Castle DIP account or reconverted to cryptocurrency and maintained on the Debtor's Fireblocks system: either would work.

ARGUMENT

By this motion, the Debtor seeks to comply with its statutory duties and this Court's orders and ensure that the Committee and the U.S. Trustee can have their voices heard on the management of the Debtor's estate, including the management of customers' cryptocurrency. Further, the Debtor seeks to preserve the ability of a future trustee to manage the Debtor's assets.

On January 13, 2026, the Debtor discovered that B2C2 had unilaterally liquidated all of the crypto assets in the Debtor's B2C2 account due to the Debtor's alleged failure to provide KYC and credit refreshes. The Debtor had no involvement in this sale. In September 2025, the Debtor had requested B2C2 transfer all of its cryptocurrency assets to the Fireblocks wallet (which the Creditors' Committee has access to) to rebalance the portfolio, a request B2C2 failed to comply with. Now, as a result of B2C2's unilateral conduct, the Debtor has an outstanding balance of \$15,798.74 in its B2C2 account.

The Debtor is non-bankable; it has no ability to transfer the outstanding monetary balance in its B2C2 account to a bank account in the Debtor's name. Thus, to ensure transparency and remedy any adverse effects of B2C2's conduct, the Debtor respectfully requests the Court's approval to trade the \$15,789.74 to stable coin and transfer it to the Debtor's Fireblocks account or reconvert it into the original cryptocurrency and maintain it on its Fireblocks account. Alternatively, the Debtor is willing to transfer the stable coin it acquires with the \$15,789.74 to any cryptocurrency wallet of the US Trustee's or Court's choosing. The Debtor cryptocurrency

(the 6,328.1581 DOGE) could be deposited in USD in the Blue Castle DIP account or reconverted to cryptocurrency and maintained on the Debtor's Fireblocks system: either would work.

CONCLUSION

For the reasons stated, Parsons respectfully requests that the Court grants the Motion to Liquidate Assets in the Debtor's B2C2 Account and Hold the Proceeds of the Sale in the Debtor's Fireblocks Account or such other disposition as the Court deems just and proper.

Dated this 6th day of March, 2026.

PARSONS BEHLE & LATIMER

/s/ Brian M. Rothschild

Brian M. Rothschild

Attorneys for Power Block Coin L.L.C.