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MEMBER

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ADMINISTRATIVE HEARINGS
Jessie Harbin, CLERK

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STATE OFFICE OF
ADMINISTRATIVE HEARINGS
Jessie Harbin, CLERK

TEXAS STATE SECURITIES BOARD,
Petitioner

§ BEFORE THE STATE OFFICE

v.

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OF

ADMINISTRATIVE HEARINGS

VOYAGER DIGITAL LTD.

Service by (1) certified mail, return receipt requested, addressed to 33 Irving Plaza, Ste 3060, New York, New York 10003; (2) certified mail, return receipt requested, addressed to 333 Bay Street, Ste 2400, Toronto, Ontario M5H 2R2; (3) certified mail, return receipt requested, addressed to 27 Hannahs Road, Stamford, Connecticut 06903; (4) certified mail, return receipt requested, addressed to 185 Hudson Street, Ste 2500, Jersey City, New Jersey 07311; (5) certified mail, return receipt requested, addressed to its registered agent for service c/o Corporation Service Company, 211 East 7th Street, Ste 620, Austin, TX 78701; (6) certified mail, return receipt requested, addressed to its counsel Nicolas Morgan, Partner, Paul Hastings LLP, 515 South Flower Street, 25th Floor, Los Angeles, CA 90071; (7) electronic mail at legal@investvoyager.com; and (8) electronic mail to its counsel, Nicolas Morgan, at nicolasmorgan@paulhastings.com.

VOYAGER DIGITAL HOLDINGS, INC.

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NOTICE OF HEARING

This is your OFFICIAL NOTICE that a hearing will commence at **9:00 AM on SEPTEMBER 7, 2022**, before an Administrative Law Judge. The hearing is being held via videoconference for the purpose of determining whether to issue a proposal for decision for the entry of a CEASE AND DESIST ORDER and CEASE PUBLICATION ORDER against Voyager Digital Ltd., Voyager Digital Holdings, Inc., and Voyager Digital, LLC (herein collectively referred to as "Voyager" or as "Respondents").

This hearing will be held pursuant to the Securities Act, Tex. Gov't Code §§ 4001.001-4008.105 (the "Securities Act"), the Rules and Regulations of the State Securities Board, 7 Tex. Admin. Code §§101.1-139.27 (2019) (Tex. State Sec. Bd.) (the "Board Rules"), the Administrative Procedure Act, Tex. Gov't Code Ann. §§2001.001-2001.902 (the "Administrative Procedure Act"), and the Rules of Practice and Procedure of the State Office of Administrative Hearings, 1 Tex. Admin. Code Chapter 155 (2019) (State Ofc. of Admin. Hearings) (the "SOAH Rules").

THE PARTIES

1. Voyager Digital Ltd. is incorporated in British Columbia, Canada, and its shares trade on the Toronto Stock Exchange under the symbol VOYG. Voyager Digital Ltd. is also the parent company for certain subsidiaries, including Voyager Digital Holdings, Inc.
2. Voyager Digital Ltd. owns Voyager Digital Holdings, Inc., a Delaware company, and Voyager Digital Holdings, Inc., owns Voyager Digital LLC.
3. Voyager Digital, LLC is incorporated in Delaware and is providing Voyager's user-facing products and services for customers in the United States.

OVERVIEW

4. Respondents are illegally offering and selling unregistered securities in the form of investments in interest-earning digital asset accounts referred to as Voyager's "Interest Program" or "Rewards Program" or "Earn Program" ("Voyager Interest Accounts").
5. As of March 1, 2022, Voyager had more than \$5 billion in assets under management in more than 1.5 million Voyager Interest Accounts, including more than \$500 million held in more than 170,000 Voyager Interest Accounts belonging to Texans.

THE VOYAGER INTEREST ACCOUNTS

6. Texans may purchase investments in Voyager Interest Accounts through Voyager's website or smartphone application.
7. They open accounts by transferring certain fiat currency, cryptocurrency, or other digital assets to Voyager.
8. They thereafter use their principal to buy and trade more than 90 defi coins, stablecoins, altcoins, and other digital assets. Voyager represents its trades are "commission-free."
9. They then earn interest on their purchase of certain digital assets. Voyager sets the interest rates it pays on these digital assets.
10. The annual interest rates are lucrative – as high as 12 percent – and generally in excess of annual interest rates currently being offered for short-term, investment grade, or fixed-income securities, or for bank savings accounts.
11. Voyager pays an even higher rate of interest, referred to as a "boost," to investors purchasing certain amounts of VGX, Voyager's native digital token.
12. The accrual of interest is calculated using a daily periodic rate applied to the principal in a Voyager Interest Account. Voyager pays the interest the month after it accrues in the same type of cryptocurrency or digital asset originally invested.
13. Investors may withdraw their funds at any time, subject to certain processing times, minimum deposit term, and minimum balance requirements. Voyager, in its sole discretion, may delay, modify, or prohibit any requested withdrawal.

USE OF PRINCIPAL

14. After investors provide principal to Voyager, their principal is comingled in omnibus accounts, they relinquish control of their principal and Voyager takes legal and beneficial ownership of the principal.
15. Voyager is thereafter able to use principal consistent with the terms of use, and as such it may transfer principal to foreign jurisdictions, lend principal, pledge principal, sell principal, rehypothecate principal, transfer principal to unidentified third parties and engage in any other transaction at Voyager's discretion and the depositing investor's sole risk.
16. Voyager earns revenue through the aforementioned transactions. However, in 2021, around 88 percent of Voyager's revenue was generated by providing investors price quotes for digital assets and then executing the transaction on an exchange for a different amount and keeping the difference between the two prices as its fee or by charging a fee to investors who withdraw digital assets.

MISLEADING STATEMENTS ABOUT COMPLIANCE AND REGULATION

17. Voyager claims it is a "fully compliant and licensed crypto broker" and touts its status as a public company, its listing on the Toronto Stock Exchange, and the "trust and transparency" resulting from its being a public company in Canada. These statements are materially misleading or otherwise likely to deceive the public because:
 - A. Respondents are not licensed as money service businesses in Texas to conduct currency exchange or money transmission activities defined by Chapter 151 of the Texas Finance Code;
 - B. Respondents are not registered with the Commodity Futures Trading Commission or the National Futures Association;
 - C. Respondents are not licensed, registered, or qualified, nor are their securities notice filed, with the United States Securities and Exchange Commission;
 - D. Respondents are not registered with the Texas State Securities Board to offer or sell securities in Texas, as required by Section 4004.051 of the Securities Act, and the Voyager Interest Accounts are not registered or permitted for sale in Texas, as required by Section 4003.001 of the Securities Act;
 - E. The Voyager Interest Accounts are not protected by the Securities Investor Protection Corporation, otherwise known as the SIPC, a federally mandated, non-profit, member-funded United States corporation created

under the Securities Investor Protection Act of 1970 that mandates membership of most US-registered broker-dealers;

- F. The Voyager Interest Accounts are not insured by the Federal Deposit Insurance Corporation, otherwise known as the FDIC, an agency that provides deposit insurance to depositors in the United States, or the National Credit Union Administration, otherwise known as the NCUA, an agency that regulates and insures credit unions;
- G. Although Voyager's stock is listed on the Toronto Stock Exchange, the Voyager Interest Accounts are not registered, qualified, or permitted in Canada and Voyager represents Canadian investors cannot invest in the Voyager Interest Accounts;
- H. The Canadian laws that apply to Voyager's securities listed on the Toronto Stock Exchange do not provide the same regulation or protection as domestic laws that apply to Voyager Interest Accounts Voyager sells exclusively to United States residents; and
- I. Voyager is not disclosing material risks relevant to these statements, material information including the amount of principal used to fund subsequent transactions, the identity, nature, and creditworthiness of borrowers, the type, nature, and counterparties for transactions involving digital asset exchanges, digital assets, staking, arranging for staking, or proprietary trading, the risks associated with digital asset exchanges, individual digital assets, staking protocols, or proprietary traded assets, and the profits and/or losses derived from transactions.

THE NOTIFICATION AND REQUEST FOR COMPLIANCE

- 18. On or about May 14, 2021, the Enforcement Division of the State Securities Board (the "Enforcement Division") notified Respondents that Respondents may have offered securities in Texas that may not comply with the Securities Act.
- 19. The Enforcement Division also explained the regulation of the securities market in Texas, including the identification of laws that require the registration of securities, the registration of dealers and agents, and the truthful disclosure of all known material facts.
- 20. Nevertheless, Respondents continued to offer the Voyager Interest Accounts to Texans in violation of Sections 4003.001 and 4004.051 of the Securities Act.

THE VIOLATIONS OF THE SECURITIES ACT

- 21. The Securities Act regulates the offer and sale of securities in Texas.

22. The investments in the Voyager Interest Accounts are securities as that term is defined by Section 4001.068 of the Securities Act.
23. Respondents are violating Section 4003.001 of the Securities Act by offering and selling securities in Texas that are not registered or permitted for sale in Texas.
24. Respondents are violating Section 4004.051 of the Securities Act by offering and selling securities in Texas without first being registered as dealers or agents.
25. Respondents are offering securities and their offers contain statements that are materially misleading or otherwise likely to deceive the public as described in Section 4007.103 of the Securities Act.

PRAYER

26. The Enforcement Division is praying for a proposal for decision for the entry of a cease and desist order that orders Respondents to immediately cease and desist from violating Sections 4003.001 and 4004.051 of the Securities Act and a cease publication order that orders Respondents to cease offering securities through an offer that contains a statement that is materially misleading or otherwise likely to deceive the public.
27. Nothing set forth herein precludes the Enforcement Division, consistent with applicable law and rule, from pursuing other remedies such as filing an amended Notice of Hearing praying for a proposal for decision that orders the assessment of an administrative fine or the payment of a refund or restitution to Texans.

EXISTING CLIENT ACCOUNTS

28. This Notice of Hearing and the prayers contained herein do not preclude Respondents from paying interest or returns to existing clients, refunding principal to investors, or otherwise lawfully dealing with existing clientele.

THE HEARING

29. The hearing will be held before the State Office of Administrative Hearings. It will commence at **9:00 AM on SEPTEMBER 7, 2022**.
30. The State Office of Administrative Hearings may conduct the hearing via Zoom. Zoom is a video conferencing platform for meetings held through the internet. The State Office of Administrative Hearings will provide instructions for accessing the hearing via Zoom.
31. At the hearing, the Enforcement Division will present testimony and other admissible evidence in support of its prayer for a proposal for decision for the entry of a CEASE AND DESIST ORDER and CEASE PUBLICATION ORDER against

Respondents. Respondents will be afforded the right to present testimony and other evidence related thereto.

LEGAL NOTIFICATIONS

32. Legal authority and jurisdiction for this matter exist under Section 4007.101 and 7007.103 of the Securities Act, Section 2003.021(b) of the Texas Government Code and Rule 155.51 of the SOAH Rules.
33. **IF YOU DO NOT FILE A WRITTEN ANSWER OR OTHER WRITTEN RESPONSIVE PLEADING TO THIS NOTICE OF HEARING ON OR BEFORE THE 20TH DAY AFTER THE DATE ON WHICH THIS NOTICE WAS MAILED TO YOU OR PERSONALLY SERVED ON YOU, THE FACTUAL ALLEGATIONS IN THIS NOTICE COULD BE DEEMED ADMITTED, AND THE SECURITIES COMMISSIONER MAY DISPOSE OF THIS CASE WITHOUT A HEARING AND MAY GRANT THE RELIEF SOUGHT IN THIS NOTICE. THE RESPONSE MUST BE FILED IN AUSTIN, TEXAS, WITH THE SECURITIES COMMISSIONER AND THE STATE OFFICE OF ADMINISTRATIVE HEARINGS, AND ALSO SERVED ON THE STAFF OF THE STATE SECURITIES BOARD. IF YOU FAIL TO ATTEND THE HEARING, EVEN IF A WRITTEN ANSWER OR OTHER RESPONSIVE PLEADING HAS BEEN FILED AND SERVED, THE FACTUAL ALLEGATIONS IN THIS NOTICE COULD BE DEEMED ADMITTED, AND THE SECURITIES COMMISSIONER MAY DISPOSE OF THIS CASE WITHOUT A HEARING AND MAY GRANT THE RELIEF SOUGHT IN THIS NOTICE.**
34. **PARTIES THAT ARE NOT REPRESENTED BY AN ATTORNEY MAY OBTAIN INFORMATION REGARDING CONTESTED CASE HEARINGS ON THE PUBLIC WEBSITE OF THE STATE OFFICE OF ADMINISTRATIVE HEARINGS AT WWW.SOAH.TEXAS.GOV, OR IN PRINTED FORMAT UPON REQUEST TO THE STATE OF ADMINISTRATIVE HEARINGS.**
35. Respondents may access the Securities Act and the Board Rules through the website of the State Securities Board at www.ssb.texas.gov. Respondents may also access the SOAH Rules through the website of the State Office of Administrative Hearings at www.soah.texas.gov and the Administrative Procedure Act through Texas Legislature Online at statutes.capitol.texas.gov.
36. The Securities Act authorizes the Texas State Securities Board to pursue administrative, civil, or criminal enforcement cases. The Securities Act and Board Rules also authorize the Texas State Securities Board to share information with and refer cases to other governmental agencies with administrative, civil, or criminal jurisdiction. These other governmental agencies include, without limitation, state and federal regulatory agencies, law enforcement agencies and prosecutors' offices. Therefore, any information provided, filed, or otherwise supplied by Respondents may be shared with these other government agencies and/or used in other cases. Whether the Texas State Securities Board makes its

files available to other governmental agencies or refers cases to other government agencies is typically confidential pursuant to Section 4007.056 of the Securities Act.

37. Pursuant to Board Rule 105.13, the Enforcement Division is now respectfully requesting and will continue to respectfully request the State Office of Administrative Hearings order all costs charged to the Texas Securities Board by any court reporting service be assessed against Respondents.
38. Persons with disabilities who need special accommodations at the hearing, whether held at the State Office of Administrative Hearings or through an audio or video conferencing platform, should contact the Docketing Department of the State Office of Administrative Hearings at 512-475-4993 at least one week prior to the hearing.

CONTACT AND FILING INFORMATION

39. The Enforcement Division is represented by Rachel Anderson Rynders, Attorney, Enforcement Division, and Joe Rotunda, Director of Enforcement, Enforcement Division. Ms. Anderson Rynders' State Bar Card Number is 24103132, her work address 208 E. 10th Street, 5th Floor, Austin, Texas 78701, her telephone number is 512-305-8392, her facsimile number is 512-355-0404, and her email address is rrynders@ssb.texas.gov. Mr. Rotunda's State Bar Card Number is 20429808, his work address is 208 E. 10th Street, 5th Floor, Austin, Texas 78701, his telephone number is 512-305-8392, his facsimile number is 512-355-0404 and his email address is jrotunda@ssb.texas.gov.
40. The Docketing Office of the State Office of Administrative Hearings is located at 300 W. 15th Street, Austin, Texas 78701, and it may be contacted by telephone at 512-745-3445 and by facsimile at 512-475-4994.
41. The State Office of Administrative Hearings may conduct the hearing via audio or video conferencing. The audio and video conferencing platforms are secure, free meetings held telephonically or through the internet. The State Office of Administrative Hearings will provide instructions for all hearings held telephonically or through a video conferencing platform.
42. Pursuant to Board Rule 105.8, all documents filed by any party, other than business records and transcripts, must be contemporaneously served upon Marlene Sparkman, General Counsel and Securities Commissioner's Representative. Ms. Sparkman's address is 208 E. 10th Street, 5th Floor, Austin, Texas 78701, her telephone number is 512-305-8300, her facsimile number is 512-305-8336, and her email address is msparkman@ssb.texas.gov.

Signed on this, the 12th day of April 2022

Joe
By: **Rotunda** Digitally signed by
Joe Rotunda
Date: 2022.04.12
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Joe Rotunda
State Bar No. 24029808
Division Director, Enforcement Division
Texas State Securities Board
208 E. 10th Street, 5th Floor
Austin, Texas 78701
T: 512-305-8392
F: 512-355-0404
E: jrotunda@ssb.texas.gov

CERTIFICATE OF SERVICE

I hereby certify that on this, the 12th day of April 2022, true and correct copies of this Notice of Hearing are being served on the following parties through the means set forth below:

MARLENE SPARKMAN

General Counsel for the State Securities Board and the Securities Commissioner's Representative is being served by electronic mail addressed to msparkman@ssb.texas.gov.

VOYAGER DIGITAL LTD.

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By: **Joe
Rotunda** Digitally signed by
Joe Rotunda
Date: 2022.04.12
14:21:16 -05'00'

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