# STATE OF WASHINGTON 1 DEPARTMENT OF FINANCIAL INSTITUTIONS **SECURITIES DIVISION** 2 IN THE MATTER OF DETERMINING Order No.: S-19-2590-19-CO01 3 Whether there has been a violation of the Securities Act of Washington by: CONSENT ORDER 4 Strix Leviathan I, LLC 5 Respondent 6 INTRODUCTION 7 Pursuant to the Securities Act of Washington, RCW 21.20, the Securities Division of the Department 8 of Financial Institutions ("Securities Division") and Respondent Strix Leviathan I, LLC enter into this Consent 9 Order in settlement of the matters alleged herein. Respondent Strix Leviathan I, LLC neither admits nor 10 denies the Findings of Fact and Conclusions of Law as stated below. 11 FINDINGS OF FACT 12 Respondent 13 Strix Leviathan I LLC ("Strix Leviathan") is a Delaware limited liability company formed on 1. 14 January 22, 2018, with its principal place of business in Seattle, Washington. From approximately April 2018 15 to the present, Strix Leviathan has provided advice to Strix Leviathan Nest Fund I, LLC on the advisability 16 of investing in various cryptocurrencies and digital assets. 17 **Related Parties** 18 2. Strix Leviathan Nest Fund I, LLC ("Strix Fund") is a Delaware limited liability company 19 formed on January 30, 2018, with its principal place of business in Seattle, Washington. Strix Fund is a private 20 fund which invests in cryptocurrencies and other digital assets.<sup>1</sup> 21 22 <sup>1</sup> "Cryptocurrency" refers to a type of digital asset which is designed as a store of value and can be used for various types of

<sup>1</sup> "Cryptocurrency" refers to a type of digital asset which is designed as a store of value and can be used for various types of transactions with other users of the cryptocurrency. The best-known cryptocurrency ecosystems are Bitcoin and Ethereum.

CONSENT ORDER

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### Nature of the Conduct

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- 3. From April 2018 to July 2019, Strix Fund raised approximately \$5.46 million from 51 investors, 37 of whom are Washington residents. Strix Leviathan originally charged a fee of 3% of assets under management and 30% of profits for its services. Those fees decreased to 2% of assets under management and 20% of profits for services as of April 1, 2019. From April 2018 through June 2019, Strix Leviathan charged a total of \$71,041.79 in management fees, although it has treated the fees as accrued and has not yet withdrawn any fees from the fund account.
- 4. Strix Leviathan structured Strix Fund to utilize a proprietary algorithmic tool for the trading of cryptocurrencies and other digital assets. From April 2018 to February 2019, Strix Fund traded approximately 85 different cryptocurrencies and digital assets, with Strix Leviathan providing advice on such trades, largely through algorithms designed by Strix Leviathan staff.

## **Registration Status**

5. Strix Leviathan is not and has never been registered as an investment adviser in the State of Washington.

Based upon the above Tentative Findings of Fact, the following Conclusions of Law are made:

#### CONCLUSIONS OF LAW

- 1. At least one of the digital assets on which Strix Leviathan I, LLC provided advice to Strix Leviathan Nest Fund I LLC constitutes a "security" as defined in RCW 21.20.005(17).
- 2. Strix Leviathan I LLC engaged in the business of advising others, for compensation, as to the value of securities or as to the advisability of investing in, purchasing, or selling securities.
- 3. Strix Leviathan I LLC has violated RCW 21.20.040 by transacting business in Washington as an investment adviser without being appropriately registered.

CONSENT ORDER

Based upon the foregoing and finding it in the public interest:

#### **CONSENT ORDER**

IT IS AGREED AND ORDERED that Respondent Strix Leviathan I LLC, and its agents and employees, shall cease and desist from violating RCW 21.20.040, the investment adviser registration section of the Securities Act of Washington.

IT IS FURTHER AGREED AND ORDERED that Respondent Strix Leviathan I LLC shall be liable for and shall pay a fine of \$10,000 on or before the entry of this Consent Order.

IT IS FURTHER AGREED AND ORDERED that Respondent Strix Leviathan I LLC shall be liable for and shall pay investigative costs of \$8,000 on or before entry of this Consent Order.

IT IS FURTHER AGREED AND ORDERED that Respondent Strix Leviathan I LLC, and its principals, agents, and employees, has not previously withdrawn and shall not withdraw any management fees earned while operating as an unregistered and non-exempt investment adviser, and to the extent that it has treated any management fees as accrued but has not withdrawn them, shall reallocate them to investors' accounts in proportion with the amount of their investment and the time period during which the fee was accrued.

IT IS FURTHER AGREED that, in the event that Strix Leviathan I LLC applies for registration with the Securities Division as an investment adviser in the State of Washington, this Consent Order alone shall not constitute a bar to such application or registration.

IT IS FURTHER AGREED that the Securities Division has jurisdiction to enter this Consent Order.

IT IS FURTHER AGREED that Respondent Strix Leviathan I LLC enters into this Consent Order freely and voluntarily and with a full understanding of its terms and significance.

CONSENT ORDER

1	IT IS FURTHER AGREED that in consideration of the foregoing, Respondent Strix Leviathan I LLC
2	waives its right to a hearing and to judicial review of this matter pursuant to RCW 21.20.440 and Chapter
3	34.05 RCW.
4	WILLFUL VIOLATION OF THIS ORDER IS A CRIMINAL OFFENSE.
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6	Signed this 27th day of October , 2019.
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8	Signed by:
9	Strix Leviathan I LLC
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.1	/s
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.3	Approved as to form by:
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.5	/s
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.8	SIGNED and ENTERED this <u>21st</u> day of <u>November</u> , 2019.
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21	Million 14 Seats
22	William M. Beatty Securities Administrator
23	Securites Administrator

CONSENT ORDER

Presented by:

Odom Yeoton

Adam N. Yeaton Financial Legal Examiner

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