UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

ADMINISTRATIVE PROCEEDING
File No. 3-21011

In the Matter of **KARINA CHAIREZ,** **Respondent.**	**DIVISION OF ENFORCEMENT'S MOTION FOR SUMMARY DISPOSITION AND REMEDIAL SANCTIONS PURSUANT TO RULE 250(b) OF THE COMMISSION'S RULES OF PRACTICE**

OS Received 01/08/2025

TABLE OF CONTENTS

OS Received 01/08/2025

TABLE OF AUTHORITIES

Cases **Page(s)**

OS Received 01/08/2025

Securities Act of 1933

Securities Exchange Act of 1934

Commission Rules of Practice

OS Received 01/08/2025

Other

The Division of Enforcement ("Division") hereby moves for summary disposition and remedial sanctions against Respondent Karina Chairez. Pursuant to Rule 250(b) of the Commission's Rules of Practice, in any proceeding under the 30- and 75-day timeframe designated pursuant to Rule 360(a)(2),[1] after a respondent's answer has been filed and documents made available to that respondent for inspection and copying pursuant to Rule 230,[2] any party may make a motion for summary disposition asserting that there is no genuine issue with regard to any material fact and that the movant is entitled to summary disposition as a matter of law. Here, the Division moves for summary disposition as Respondent is precluded, by the doctrine of collateral estoppel, from relitigating the factual findings and legal conclusions made in connection with her guilty plea to wire fraud based on the same conduct alleged in the Commission's complaint against her in the civil action entitled *SEC v Karina Chairez*, Civil Action Number 1:20-cv-10582-CM (S.D.N.Y.). *See Marcus Beam*, Advisers Act Release No. 6752, 2024 SEC LEXIS 2815, at *3 (Comm. Op. Oct 18, 2024) (a convicted respondent cannot dispute the fact of conviction, the elements of the offense she was convicted of, or any additional facts admitted to in a plea agreement or during a plea colloquy); *Anita Sgarro*, Exchange Act Release No. 100166, 2024 SEC LEXIS 1146 (Comm. Op. May 17, 2024) (same).

I. PROCEDURAL BACKGROUND

A. The district court action

[1] This proceeding is deemed to be one under the 75-day timeframe specified in Rule of Practice 360(a)(2)(i) for the purpose of applying Rule of Practice 250.

[2] On December 13, 2024, the Division of Enforcement sent a letter to Chairez advising her that pursuant to Rule 230(a) of the Commission's Rules of Practice it will make available for inspection and copying the documents obtained by the Division prior to institution of this proceeding, in connection with the investigation leading to the Division's recommendation to institute proceeding. *See* Declaration of Donald Searles In Support of Division of Enforcement's Motion for Summary Disposition ("Searles Decl."), Ex. 1.

OS Received 01/08/2025

On December 15, 2020, the Commission filed a complaint against Chairez, alleging she violated the broker-dealer registration provisions of Section 15(a) of the Securities and Exchange Act through her promotion of an unregistered securities offering that was a multi-level marketing scheme targeting Latinx and Spanish-speaking communities. The offering documents represented to investors there would be high investment returns from algorithmic digital asset day-trading by purported "automated robots" connected to "international exchanges" and a recruitment compensation plan that incentivized members to attract others to the investment scheme. Chairez never filed an answer or otherwise responded to the Commission's complaint and a default judgment was entered against her on July 11, 2022. The district court's final judgment permanently enjoined her from future violations of Section 15(a) and from offering, operating or participating in any multi-level marketing scheme. Searles Decl. Ex. 2 (Dkt. No. 35). It further ordered Chairez to pay disgorgement, together with prejudgment interest and a civil penalty. *Id.* On October 17, 2024, over two years after the district court entered judgment, Chairez moved to vacate the default judgment claiming that she was never properly served and had no notice of the Commission's motion for default judgment until October 2024, long after it had been granted and the judgment entered. Searles Decl. Ex. 3 (Dkt. No. 36). Chairez's motion to vacate the final judgment against her was denied on November 20, 2024. Searles Decl. Ex. 4 (Dkt. No 42).

B. The administrative proceeding

Following the entry of the final judgment against Chairez, the Commission instituted an administrative proceeding pursuant to Section 15(b) of the Exchange Act, to determine whether the Division's allegations concerning the entry of the final judgment against Chairez and its summary of the complaint were true and, if so, what remedial action was in the public interest.

OS Received 01/08/2025

Chairez was properly served with the OIP on October 23, 2023, but failed to answer and did not respond to a subsequent order to show cause ("OSC"). The OSC was issued on November 6, 2023, requiring Respondent to show cause why she should not be found in default for failing to file an answer to the OIP.

On February 7, 2024, the Division moved for default and the imposition of remedial sanctions, relying both on the entry of the final judgment against Chairez and the fact that Chairez had pled guilty to conspiracy to commit wire fraud and money laundering in a parallel criminal proceeding. On March 3, 2024, the Commission requested additional briefing and further development of the evidentiary record, including materials from the criminal proceeding, to determine whether remedial sanctions were appropriate. The Division responded to that order with supplemental briefing on April 12, 2024.

Each order and filing made after the OIP (the Division personally served the OIP on Respondent) were served by U.S. mail, at a time before Respondent had reported to federal custody. Accordingly, on September 16, 2024, to ensure that Respondent had an opportunity to respond to the order and filings docketed after she was personally served with the OIP, the Commission ordered the Division to serve respondent with those orders and filings at the federal correctional institution where she was located. On September 26, 2024, the Division filed with the Commission a certificate of service, providing notice that Chairez had been served at her place of incarceration with the Division's February 7, 2024 motion for entry of default, the Division's April 12, 2024 supplemental filing in support of its motion for entry of default, and the Commission's Orders dated November 6, 2023 and March 13, 2024.

On October 17, 2024, the Commission entered an order setting new deadlines, permitting Chairez to file a response to the Commission's orders dated November 6, 2023 and March 13,

OS Received 01/08/2025

2024, and the Division's filings dated February 7, 2024 and April 12, 2024. The Commission gave Chairez until November 18, 2024 to file the responses. Thereafter, on October 22, 2024, October 31, 2024, and December 3, 2024, Respondent filed responsive pleadings and, in an order dated December 26, 2024, the Commission accepted Respondent's proposed answer to the OIP, discharged the order to show cause dated November 6, 2023, and directed the parties to hold a prehearing conference by January 23, 2025, and to file a statement by February 6, 2025, advising the Commission of any agreements reached at the prehearing conference.

The Division now moves for summary disposition.

II. ARGUMENT

A. Summary disposition is appropriate as Respondent's guilty plea to wire fraud demonstrates she was a knowing participant in a fraudulent pyramid scheme.

Summary disposition is ordinarily appropriate in follow-on proceedings, such as this one, where a respondent has been convicted and the sole determination concerns appropriate sanctions. *Anita Sgarro*, 2024 SEC LEXIS 1146, at *4.

On January 31, 2023, Respondent pled guilty to a superseding indictment charging her with wire fraud, in violation of 18 U.S.C. § 1343, and money laundering, in violation of 18 U.S.C. § 1956(a)(1)(B)(i). *United States v. Karina Chairez*, Case No. 1:20-cr-00398-GBD (S.D.N.Y.). Searles Decl., Ex. 5 (Crim.Dkt. 33: Superseding Indictment), Ex. 6 (guilty plea transcript). With respect to the wire fraud count, the grand jury charged that from at least September 2015 through July 2020, Respondent, using interstate wire communications, willfully and knowingly conspired with others to fraudulently induce investor victims to invest money in Airbit Club by falsely promising those investors guaranteed returns on their investments. *Id.* ¶ 2.

The essential elements of wire fraud are: (1) a scheme to defraud; (2) money or property as the object of the scheme; and (3) use of wire communications to further the scheme. *SEC v. Hansen*, No. 13-CV-1403 (VSB), 2017 U.S. Dist. LEXIS 50392, at *13 (S.D.N.Y. Mar. 31, 2017). To assert a scheme to defraud, the government must establish: "the existence of a scheme to defraud, (ii) the requisite scienter (or fraudulent intent) on the part of the defendant, and (iii) the materiality of the misrepresentations." *Id*. (quoting *United States v. Pierce*, 224 F.3d 158, 165 (2d Cir. 2000)).

It is well-settled that a defendant's guilty plea admits all of the elements of the formal criminal charge. *McCarthy v. United States*, 394 U.S. 459, 466 (1969); *Ljutica v. Holder*, 588 F.3d 119, 124 (2d Cir. 2009); *Mack v. United States*, 853 F.2d 585, 586 (8th Cir. 1988) (per curiam); *Hayle v. United States*, 815 F.2d 879, 881 (2d Cir. 1987). As such, Respondent's guilty plea establishes that Respondent, over the course of several years, knowingly and with the intent to defraud (*i.e*., with scienter), engaged in a scheme to defraud investors in AirBit Club by falsely promising investors guaranteed returns on their investments.

In her plea allocution, Respondent admitted that she had participated in a Ponzi scheme. As she stated, in her own words:

> Your Honor, within the time period of September 2015 to the end of 2018, I agreed with others to assist in a scheme to defraud others of their money through my participation …. in AirBit Club. I helped recruit people to invest in AirBit Club by doing things such as attending conferences, sending emails, making telephone calls and participating in promotional videos that were available on the internet. In essence, the AirBit Club was a Ponzi scheme that I, along with others, convinced unsuspecting individuals to invest in. In the course of these actions, I

> committed money laundering by accepting cash from unsuspecting investors and then conveying the cash to the AirBit Club leadership in a way that avoided an electronic bank trail so as to obscure the location, source, ownership and control of the collected money. This also promoted the scheme by transferring the money to the AirBit Club leadership. While I did not join the AirBit Club knowing that it was an illegal Ponzi scheme, at a certain point I did realize the illegal nature of the AirBit Club, and yet I continued recruiting investors, and I knew at that point my actions were wrong and against the law.

Searles Decl., Ex. 6 (Crim. Dkt. No. 175 at p. 11 of 16). Respondent further acknowledged that investors believed that they were investing in Bitcoin, and that at the time she committed her acts she knew that what she was doing was both wrong and illegal. *Id*. at p. 13 of 16.

In addition to Respondent's guilty plea, Respondent submitted a sentencing memorandum to the district court. Searles Decl. Ex. 7 (Crim. Dkt. No. 249). In that sentencing memorandum, Respondent's counsel made the following statements regarding Respondent's conduct:

- that within months of joining the AirBit Club, she realized it was not a legitimate investment club, but decided to "go with the flow and keep making money through AirBit Club even though she knew by then it was not a legitimate operation." *Id*., at p. 3 of 18.
- Respondent joined AirBit Club in 2016, initially as a member-investor, and was promised a fixed daily return on any money she invested, and additional returns for each new investor she recruited, as well as additional returns for any new investors they recruited. *Id*., at p. 9 of 18.

- Respondent was invited by AirBit Club leadership to become a member of the "Master Council," where she attended publicity events at hotel and other spaces to "extoll the benefits of joining AirBit Club." *Id*., at p. 9 of 18..
- In late 2016, Respondent was invited by AirBit Club leadership to travel to Panama to see the actual office and computer systems involved in AirBit Club's purported Bitcoin mining and trading. "After being shuttled all around, it became apparent [to Respondent] that there was no Bitcoin operation in Panama as touted by the AirBit Club leadership." *Id.*
- Respondent continued to participate with AirBit Club, knowing its leadership was not being truthful with investors, until 2019. *Id*., at p. 1 & 10 of 18.
- By 2018, the web portal that AirBit Club members used to access their accounts [to obtain their "guaranteed returns"] was "down for maintenance" at greater and greater frequency and for longer and longer time periods." *Id.*, at p. 10 of 18.
- In October 2018, Respondent confronted Rodriguez [one of AirBit Club's founders] about the webportal always being down and how people were complaining about not being able to withdraw their money. Two months later Rodriguez expelled Respondent from AirBit Club. *Id.*

Consistent with her sentencing memorandum, Respondent's counsel made the following statements at Respondent's sentencing hearing concerning Respondent's knowledge that she was a promoter of a pyramid scheme:

> She figures out within about a year, give or take a few months, so either end of 2016 or end of 2017, is when she's like, all right, this has been too good to be true; this isn't right. And at that point, she knew that they're making money by

> having the new investors come in and then getting those returns from that new money coming in. And that really came home to her when she took this trip to Panama at the behest of the leaders to see the operation for the Bitcoin mining. And basically they're driven around all day long and never taken to see this stuff, the equipment. And she realized this was bogus ….. and she made the wrong decision -- to double down and to keep being involved, at that point knowing, yeah, this is wrong. And that's why she's guilty. And she continued to do that for months.

Searles Decl., Ex. 8 (Crim. Dkt. 277 (Sentencing Transcript), at p. 36 of 51).[3] *See United States v. Burns*, 109 Fed. Appx. 52, 58 (6th Cir. 2004) (defense counsel's factual assertions made in pleadings considered judicial admissions binding on the party who made them) (collecting cases). At her sentencing, Respondent also addressed the court and expressed her remorse for the harm she had caused to AirBit Club investors. *Id*., at p. 46 of 51.

B. Respondent's conduct warrants remedial sanctions under Section 15(b) of the Exchange Act.

In determining whether remedial sanctions under Section 15(b) of the Exchange Act are in the public interest, the Commission considers the following non-exclusive list of factors: (1) the egregiousness of the respondent's actions; (2) the isolated or recurrent nature of the infraction; (3) the degree of scienter involved, the sincerity of respondent's assurances against future violations; (4) the respondent's recognition of the wrongful nature of her conduct; and (5) the likelihood that respondent's occupation will present opportunities for future violations.

[3] Respondent pled guilty to the indictment, without a plea agreement. As her counsel stated at her sentencing, this "was Ms. Chairez's way of saying she is not trying to do anything but acknowledge her guilt and to say I'm accepting responsibility. Searles Decl. Ex. 8 (Crim. Dkt. No. 277, at p. 39 of 51).

Order at 1, citing *Steadman v. SEC*, 603 F. 2d 1126, 1140 (5th Cir. 1979), aff'd on other grounds 450 U.S. 91 (1981). "The Commission's inquiry into the appropriate sanction to protect the public interest is a flexible one, and no one factor is controlling." *David E. Ruskjer,* AP File No. 3-15147, Initial Decisions Rel. No. 489, 2013 U.S. Dist. LEXIS 1582, at *10 (Jun. 3, 2013).

Based on Respondent's guilty plea and related admissions made in connection with her sentencing, the Division respectfully requests that sanctions be imposed under Section 15(b)(6) of the Exchange Act. That section provides in relevant part:

> With respect to any person who is associated, . . . or, at the time of the alleged misconduct, who was associated . . . with a broker or dealer, . . . the Commission, by order, shall censure, place limitations on the activities or functions of such a person, or suspend for a period not exceeding 12 months, or bar any such person from being associated with a broker, dealer, investment adviser, municipal securities dealer, municipal advisor, transfer agent, or nationally recognized statistical rating organization, or from participating in an offering of penny stock, if the Commission finds, on the record after notice and an opportunity for a hearing, that such censure, placing of limitations, suspension, or bar is in the public interest and that such person – . . .
>
> (i) has committed or omitted any act, or is subject to an order or finding, enumerated in subparagraph . . . (D) . . . of paragraph (4) of [Section 15(b)]; or
>
> (ii) has been convicted of any offense specified in subparagraph (B) of such paragraph (4) within 10 years of the commencement of the proceedings under this paragraph; or

(iii) is enjoined from any action, conduct or practice specified in subparagraph (C) of such paragraph (4) of Section 15(b).

Thus, Section 15(b)(6) authorizes the Commission to impose an associational bar against Respondent if: (1) at the time of the alleged misconduct, she was associated with a broker; (2) she has *either* (a) committed any act, or is subject to an order or finding that she committed any act enumerated in Section 15(b)(4)(D), ***or*** (b) she has been convicted of a specific offense identified in Section 15(b)(4), ***or*** (c) is enjoined from any action, conduct or practice specified in Section 15(b)(4)(C); and (3) a bar is in the public interest.

Here, all of the statutory elements of Section 15(b)(6) are satisfied. First of all, Respondent has been permanently enjoined from committing future violations of Section 15(a) of the Exchange Act, thus satisfying the remedial condition set by Section 15(b)(6)(A)(iii) of the Exchange Act. Second, although the Commission's complaint only alleged a violation of Section 15(a) of the Exchange Act, Respondent's guilty plea to wire fraud, as alleged in her superseding indictment, and her admissions in connection with her sentencing, demonstrate that she willfully violated the antifraud provisions of Section 17(a) of the Securities Act and Section 10(b) of the Exchange Act and Rule 10b-5 thereunder, by knowingly participating in a pyramid scheme involving securities in the form of investment contracts and by making false representation to investors about guaranteed returns, thus satisfying the remedial conditions set by Section 15(b)(6)(A)(i) and (ii) of the Exchange Act. *See SEC v. Chen,* No. 2:15-CV-07425-RGK (PLAx), 2016 U.S. Dist. LEXIS 193577, at *22 (C.D. Cal. Dec. 8, 2016) ("Pyramid schemes are …. inherently fraudulent because they must eventually collapse.') (quoting *Webster v. Omnitrition*, 79 F.3d 776, 781 (9th Cir. 1996) (finding that investments in a pyramid scheme are investment contracts and thus securities)); *SEC v. CKB168 Holdings, Ltd*., 210 F. Supp. 3d 421, 450 (E.D.N.Y. 2016) (investment in a pyramid scheme is itself a security) *see also*, *SEC v. Shehyn*, No. 04 CV 2003 (LP), 2010 U.S. Dist. LEXIS 84882 (S.D.N.Y. Aug. 6, 2010) (finding that the factual allegations underlying defendant's wire fraud conviction sufficient to establish defendant

also violated the securities laws); *SEC v Dimensional Entm't Corp*., 493 F. Supp. 1270, 1277 (S.D.N.Y. 1980) (same).

Finally, with respect to the penultimate issue of the public interest, Respondent's conduct, as acknowledged in her guilty plea, sentencing memorandum, and statements made at her sentencing, were egregious, persisted over a period of years, and involved a high degree of scienter. By her own admissions, she knew, shortly after becoming an investor and while a member of AirBit Club's "Master Council," that AirBit Club's purported Bitcoin mining business was "bogus," that AirBit Club's promises of guaranteed returns were false, and that her and other investors' "returns" were based on the number of downstream investors they could recruit. Knowing all of this, she decided to "go with the flow" for a period of years. *See SEC v. Chen*, 2016 U.S. Dist. LEXIS 193577, at *27 ("[d]efendant's operation of a pyramid scheme is sufficient to show he acted with scienter." (citing *Omnitrition*, 79 F.3d at 788 ("[m]isrepresentations, knowledge and intent flow from the inherently fraudulent nature of a pyramid scheme.")).

While she now expresses remorse over the harm she has caused to investors, "promises of reformation and acts of contrition are relevant in deciding whether an injunction shall issue, but neither is conclusive or even necessarily persuasive, especially if no evidence or remorse surfaces until the violator is caught." *SEC v Sabrdaran*, 252 F. Supp. 3d 866, 910 (N.D. Cal. 2019) (quoting *SEC v. Koracorp Industries, Inc*., 575 F.2d 692, 6908 (9th Cir. 1978)); *see also SEC v. Fehn*, 97 F.3d 1276, 1296 (9th Cir. 1996). Respondent has also served her sentence of imprisonment and has been released into the community, thus creating the opportunity for future violations.[4] *SEC v. Loomis*, 17 F. Supp. 3d 1026, 1030 (E.D. Cal. 2014) (courts have enjoined

[4] Respondent was sentenced to one (1) year and one (1) day on each count of the indictment, to run concurrently, and was ordered to surrender to the U.S. Marshall on February 2, 2024. Searles Decl., Ex. 9 (Crim. Dkt. No. 268). She was recently released from prison into a residential reentry program managed by the Federal Bureau Prison and is on home confinement at her current residence located at [redacted]. Searles Decl., ¶ 11. The Division notes that Respondent has failed to provide the Commission with her new address, as directed by the Commission's December 26, 2024 order.

defendants from future violations despite imprisonment) (collecting cases). Hence, for all these reasons, remedial sanctions are clearly warranted pursuant to Section 15(b)(6) of the Exchange Act. *See, e.g., David F. Bandimere*, AP File No. 3-15124, Initial Dec. Rel. No. 507, 2013 SEC LEXIS 3142, at *187 (Oct. 8. 2013) (respondent's high degree of scienter in violating the antifraud provisions through his participation in a Ponzi scheme supports severe sanctions, regardless of whether his current occupation will not present opportunities for future violations); *E-Smart Technologies, Inc., f/k/a Plainview Laboratories, Inc*., AP File No. 3-10977, Initial Dec. Rel. No. 272, 2005 SEC LEXIS 253 (Feb. 3, 2005) ("[i]n considering the likelihood of future violations, the fact that respondent is presently complying with the securities laws does not preclude sanctions.").

III. CONCLUSION

Accordingly, based on the evidentiary record, the Division respectfully requests that is motion for summary adjudication be granted and that Respondent be barred from association with a broker, dealer, investment adviser, municipal securities dealer, municipal advisor, transfer agent, or nationally recognized statistical rating organization, or from participating in an offering of penny stock.

Dated: January 8, 2025

Respectfully submitted,

[redacted]

Donald W. Searles
Attorney for Division of Enforcement

In the Matter of Karina Chairez
Administrative Proceedings File No. 3-21011

SERVICE LIST

Pursuant to Commission Rule of Practice 151 (17 C.F.R. §201.151), I certify that the attached:

DIVISION OF ENFORCEMENT'S MOTION FOR SUMMARY DISPOSITION AND REMEDIAL SANCTIONS PURSUANT TO RULE 250(b) OF THE COMMISSION'S RULES OF PRACTICE

was served on January 8, 2025, upon the following parties as follows:

By eFAP
Vanessa Countryman, Secretary
Securities and Exchange Commission
100 F. Street, N.E., Mail Stop 1090
Washington, DC 20549-1090

By US Certified Mail
Karina Chairez
[redacted]

[redacted]

Dated: January 8, 2025

Donald Searles

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

ADMINISTRATIVE PROCEEDING
File No. 3-21011

In the Matter of

KARINA CHAIREZ,

Respondent.

DIVISION OF ENFORCEMENT'S INDEX OF EXHIBITS TO THE DECLARATION OF DONALD W. SEARLES OF DIVISION OF ENFORCEMENT'S MOTION FOR SUMMARY DISPOSITION AND REMEDIAL SANCTIONS PURSUANT TO RULE 250(b) OF THE COMMISSION'S RULES OF PRACTICE

Exhibit	**Description**
Ex. 1	December 13, 2024 Rule 230(a) Letter
Ex. 2	Amended Default Judgment in *SEC v. Karina Chairez, et al.*, Case No. 1:20-cv-10582 (CM), at docket number 35.
Ex. 3	Chairez's Motion to Vacate in *SEC v. Karina Chairez, et al.*, Case No. 1:20-cv-10582 (CM), at docket number 36.
Ex. 4	Order Denying Chairez's Motion to Vacate in *SEC v. Karina Chairez, et al.*, Case No. 1:20-cv-10582 (CM), at docket number 42.
Ex. 5	Superseding indictment of Chairez in *United States v. Dos Santos, et al.*, Case No. 1:20-cr-398-06, in the Southern District of New York at docket number 33.
Ex. 6	Transcript of Chairez's guilty plea in *United States v. Dos Santos, et al.*, Case No. 1:20-cr-398-06, in the Southern District of New York at docket number 175.

OS Received 01/08/2025

Ex. 7	Chairez's sentencing memorandum in *United States v. Dos Santos, et al.*, Case No. 1:20-cr-398-06, in the Southern District of New York at docket number 249.
Ex. 8	Chairez's sentencing hearing transcript in *United States v. Dos Santos, et al.*, Case No. 1:20-cr-398-06, in the Southern District of New York at docket number 277.
Ex. 9	Chairez's judgment in *United States v. Dos Santos, et al.*, Case No. 1:20-cr-398-06, in the Southern District of New York at docket number 268.

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

ADMINISTRATIVE PROCEEDING
File No. 3-21011

In the Matter of **KARINA CHAIREZ,** **Respondent.**	**DECLARATION OF DONALD W. SEARLES IN SUPPORT OF DIVISION OF ENFORCEMENT'S MOTION FOR SUMMARY DISPOSITION AND REMEDIAL SANCTIONS PURSUANT TO RULE 250(b) OF THE COMMISSION'S RULES OF PRACTICE**

OS Received 01/08/2025

I, DONALD W. SEARLES, pursuant to 28 U.S.C. § 1746, declare:

1. I am an attorney at law admitted to practice law in the State of California and before the United States District Court for the Central District of California. I am employed as an attorney in the Los Angeles Regional Office of the U.S. Securities and Exchange Commission ("SEC"), and am counsel for the Division of Enforcement in this case. I have personal knowledge or knowledge based upon my review of the file of the facts set forth in this Declaration and, if called and sworn as a witness, could and would competently testify thereto.

2. On December 13, 2024, the Division of Enforcement sent a letter to Chairez advising her that pursuant to Rule 230(a) of the Commission's Rules of Practice it will make available for inspection and copying the documents obtained by the Division prior to institution of this proceeding, in connection with the investigation leading to the Division's recommendation to institute proceeding. A true and correct copy of that letter is attached hereto as Exhibit 1.

3. On December 15, 2020, the Commission filed a complaint against Chairez, alleging she violated the broker-dealer registration provisions of Section 15(a) of the Securities and Exchange Act through her promotion of an unregistered securities offering that was a multi-level marketing scheme targeting Latinx and Spanish-speaking communities. The offering documents represented to investors there would be high investment returns from algorithmic digital asset day-trading by purported "automated robots" connected to "international exchanges" and a recruitment compensation plan that incentivized members to attract others to the investment scheme. Chairez never filed an answer or otherwise responded to the Commission's complaint and a default judgment was entered against her on July 11, 2022. The district court's final judgment permanently enjoined her from future violations of Section 15(a) and from

offering, operating or participating in any multi-level marketing scheme. A true and correct copy of the final judgment entered against Chairez at docket number 35 is attached hereto as Exhibit 2.

4. On October 17, 2024, over two years after the district court entered judgment, Chairez moved to vacate the default judgment claiming that she was never properly served and had no notice of the Commission's motion for default judgment until October 2024, long after it had been granted and the judgment entered. A true and correct copy of Chairez's motion to vacate at docket number 36 is attached hereto as Exhibit 3.

5. Chairez's motion to vacate the final judgment against her was denied on November 20, 2024. A true and correct copy of the district court order denying Chairez's motion to vacate at docket number 42 is attached hereto as Exhibit 4

6. A true and correct copy of the superseding indictment of Chairez in the parallel criminal action *United States v. Dos Santos, et al.*, Case No. 1:20-cr-398-06, in the Southern District of New York at docket number 33 is attached hereto as Exhibit 5.

7. A true and correct copy of the transcript of Chairez's guilty plea in *United States v. Dos Santos, et al.*, Case No. 1:20-cr-398-06, in the Southern District of New York at docket number 175, is attached hereto as Exhibit 6.

8. A true and correct copy of Chairez's sentencing memorandum in *United States v. Dos Santos, et al.*, Case No. 1:20-cr-398-06, in the Southern District of New York at docket number 249 is attached hereto as Exhibit 7.

9. A true and correct copy of Chairez's sentencing hearing transcript in *United States v. Dos Santos, et al.*, Case No. 1:20-cr-398-06, in the Southern District of New York at docket number 277 is attached hereto as Exhibit 8.

10. Respondent was sentenced to one (1) year and one (1) day on each count of the indictment, to run concurrently, and was ordered to surrender to the U.S. Marshall on February 2, 2024. A true and correct copy of the Respondent's judgment in *United States v. Dos Santos, et al.*, Case No. 1:20-cr-398-06, in the Southern District of New York at docket number 268 is attached hereto as Exhibit 9.

11. Respondent was recently released from prison into a residential reentry program managed by the Federal Bureau Prison and is on home confinement at her current residence located at [redacted]. The Division notes that Respondent has failed to provide the Commission with her new address, as directed by the Commission's December 26, 2024 order.

I declare under penalty of perjury under the laws of the United States of America that the foregoing is true and correct. Executed on January 8, 2025, in Los Angeles, California.

[redacted]

Donald W. Searles

OS Received 01/08/2025