

**UNITED STATES OF AMERICA**  
**Before the**  
**SECURITIES AND EXCHANGE COMMISSION**

**SECURITIES ACT OF 1933**  
**Release No. 9592 / June 3, 2014**

**ADMINISTRATIVE PROCEEDING**  
**File No. 3-15902**

**In the Matter of**

**Erik T. Voorhees,**

**Respondent.**

**ORDER INSTITUTING CEASE-AND-DESIST  
PROCEEDINGS PURSUANT TO SECTION  
8A OF THE SECURITIES ACT OF 1933,  
MAKING FINDINGS, AND IMPOSING A  
CEASE-AND-DESIST ORDER**

**I.**

The Securities and Exchange Commission (“Commission”) deems it appropriate that public cease-and-desist proceedings be, and hereby are, instituted pursuant to Section 8A of the Securities Act of 1933 (“Securities Act”) against Erik T. Voorhees (“Respondent”).

**II.**

In anticipation of the institution of these proceedings, Respondent has submitted an Offer of Settlement (the “Offer”) which the Commission has determined to accept. Solely for the purpose of these proceedings and any other proceedings brought by or on behalf of the Commission, or to which the Commission is a party, and without admitting or denying the findings herein, except as to the Commission’s jurisdiction over him and the subject matter of these proceedings, which are admitted, Respondent consents to the entry of this Order Instituting Cease-and-Desist Proceedings Pursuant to Section 8A of the Securities Act of 1933, Making Findings, and Imposing a Cease-and-Desist Order (“Order”), as set forth below.

### III.

On the basis of this Order and Respondent's Offer, the Commission finds that:

#### Summary

These proceedings arise out of unregistered offerings of shares of FeedZeBirds and SatoshiDICE, two separate entities co-owned by Voorhees and others. Voorhees is a well-known Bitcoin proponent, and the shares were offered and sold in exchange for bitcoins, commonly referred to as "virtual currency."<sup>1</sup> Bitcoin is a decentralized peer-to-peer payment network; bitcoin transactions are recorded by the network on an electronic public ledger known as the "block chain." Bitcoins can be used to purchase real-world goods and services and can be exchanged for fiat currencies on certain online exchanges. From May 2012, the time of the first offering, to the present, the exchange rate of U.S. dollars ("USD") to bitcoins has fluctuated between a low of approximately \$5 per bitcoin and a high of approximately \$1,200 per bitcoin.

In May 2012, FeedZeBirds offered and sold 30,000 shares, and raised 2,600 bitcoins in connection with that unregistered offer and sale. At the time of the FeedZeBirds offering, the USD value of the bitcoins raised was approximately \$15,000. From August 2012 through February 2013, in two separate offerings, SatoshiDICE offered and sold 13 million shares, and raised 50,600 bitcoins in connection with those unregistered offers and sales. At the time of the SatoshiDICE offerings, the USD value of the total bitcoins raised was approximately \$722,659. In July 2013, SatoshiDICE bought back all outstanding SatoshiDICE shares from investors at a price of 0.0035 bitcoins per share, for a total of 45,500 bitcoins. Due to the significant rise in the exchange rate of bitcoin, the total USD amount paid to investors in the SatoshiDICE buy-back transaction (approximately \$3.8 million) exceeded the total USD amount raised.

#### Respondent and Relevant Entities

1. **Voorhees**, age 29, is a U.S. citizen who, at the time of the FeedZeBirds and SatoshiDICE offerings, was living in the United States.
2. **FeedZeBirds** is not a registered corporation. FeedZeBirds purports to pay individuals who use Twitter, an online text messaging service, a fee in bitcoins in exchange for

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<sup>1</sup> For purposes of this Order, a "virtual currency" is a digital representation of value that can be digitally traded and functions as a medium of exchange; a unit of account; and/or a store of value, but does not have legal tender status (i.e., when tendered to a creditor, is a valid and legal offer of payment) in any jurisdiction. It is not issued or guaranteed by any jurisdiction, and fulfills the above functions only by agreement within the community of users of the virtual currency. Virtual currency is distinct from fiat currency, which is the coin and paper money of a country that is designated as its legal tender; circulates; and is customarily used and accepted as a medium of exchange in the issuing country. It also is distinct from e-money, which is a digital representation of fiat currency used to electronically transfer value denominated in fiat currency, i.e., e-money electronically transfers value that has legal tender status.

forwarding sponsored text messages. During the relevant time period, Voorhees co-owned FeedZeBirds, which had a website (feedzebirds.com) that launched in November 2011.

3. **SatoshiDICE** is not a registered corporation. SatoshiDICE purports to be a gambling website that takes bets and pays out winnings in bitcoins. Voorhees launched the SatoshiDICE website (satoshidice.com) in April 2012, and co-owned the company until July 2013, when he and the other co-owners sold it.

### **Offering of FeedZeBirds Shares**

4. On May 24, 2012, FeedZeBirds offered 30,000 shares, representing 30% of the company, priced at 0.08667 bitcoins per share.<sup>2</sup> The shares were listed on an entity known as the Global Bitcoin Stock Exchange (“GLBSE”), which purported to run a Bitcoin stock exchange.<sup>3</sup>

5. Voorhees published a prospectus for the FeedZeBirds offering, which he made publicly available on the Internet. The prospectus was never filed with the Commission. In addition, Voorhees made general solicitations to sell FeedZeBirds shares over the Internet, which included posts on an internet website dedicated to Bitcoin known as the Bitcoin Forum (bitcointalk.org), on Facebook.com, and on other Bitcoin-related websites.

6. For example, prior to the offering, on May 21, 2012, Voorhees posted on the Bitcoin Forum the following: “FeedZeBirds.com (http://FeedZeBirds.com), the Bitcoin Twitter advertising platform with nearly 3,000 users and over 40,000,000 ad impressions served thus far, is launching shares on Thursday, May 24, at 15:30 EST via GLBSE.com.” (Emphasis removed from original.)

7. Also on May 21, 2012, the website FreedomsPhoenix.com posted the following announcement titled “FeedZeBirds IPO”:

FeedZeBirds is proud to announce that you can now own a piece of feedzebirds.com. On Thursday, May 24, at 15:30 EST FeedZeBirds will release 30% of the company as 30,000 shares on GLBSE, the Bitcoin stock exchange .... A share will be sold at 0.08667 BTC each.”

8. The FeedZeBirds offering raised 2,600 bitcoins. At the time of the offering, 2,600 bitcoins were worth approximately \$15,000.

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<sup>2</sup> One bitcoin is divisible into 100,000,000 units, with the smallest unit (0.0000001 bitcoin) called a “Satoshi.”

<sup>3</sup> In October 2012, GLBSE ceased operations.

## Offerings of SatoshiDICE Shares

9. In a first SatoshiDICE offering, which took place from August 2012 through January 2013, SatoshiDICE offered and sold 10 million shares, which represented a 10% interest in the company. SatoshiDICE offered these shares in three separate tranches at prices between 0.0032 and 0.0037 bitcoins per share. The shares of SatoshiDICE were listed on MPEX, a purported Bitcoin trading platform based in Romania.

10. Voorhees published a prospectus for this first SatoshiDICE offering, which he made widely available on the Internet. According to a summary prospectus, SatoshiDICE sought to “raise IPO capital through an equity offering on the MPEX platform by releasing 10% of its 100,000,000 shares. Starting from the first full calendar month after the IPO, shares will pay dividends equal to 100% of SatoshiDICE net profits ....” The prospectus was never filed with the Commission.

11. In addition, Voorhees made general solicitations over the Internet, which included posts on the Bitcoin Forum, on Facebook.com, and on other Bitcoin-related websites.

12. According to the prospectus and statements made by Voorhees, 10% of the funds raised in the offering would be used on a “high profile print marketing campaign in European gaming publications.” Voorhees also posted on the Bitcoin Forum that he planned to use the remaining proceeds to fund two undisclosed startups. Finally, the prospectus included statistics about SatoshiDICE’s earnings and expenses.

13. The first SatoshiDICE offering raised 34,500 bitcoins. At the time of the offering, 34,500 bitcoins were worth approximately \$371,910.

14. In a second SatoshiDICE offering, which took place in February 2013, SatoshiDICE offered and sold an additional 3 million of its shares at prices between 0.0044 and 0.0062 bitcoins per share, which raised 16,100 bitcoins. At the time of this second offering, 16,100 bitcoins were worth approximately \$337,827.

15. On July 17, 2013, Voorhees announced on the Bitcoin Forum that SatoshiDICE was being sold and that in anticipation of the sale, SatoshiDICE would buy back all outstanding shares from investors. Voorhees posted that SatoshiDICE would buy the shares at 0.0035 bitcoins per share, which was at a 277% premium over the per share price that SatoshiDICE received in the sale of the company and roughly a 175% premium over the current market price of the SatoshiDICE shares listed on MPEX.

16. Just prior to the sale, SatoshiDICE bought back all 13 million outstanding SatoshiDICE shares from investors at a price of 0.0035 bitcoins per share, for a total of 45,500 bitcoins. Due to the significant rise in the exchange rate of bitcoin, the total USD amount paid to investors in the buy-back transaction (approximately \$3.8 million) exceeded the total USD amount raised (approximately \$722,659).

17. On July 18, 2013, Voorhees announced on the Bitcoin Forum that the buy-back had been completed, SatoshiDICE had been sold to a private party and that shares of SatoshiDICE had been “delisted.”

18. No registration statement was filed for the FeedZeBirds or SatoshiDICE offerings, and no exemption from registration was applicable to these transactions.

19. Voorhees used the Internet in connection with these offers and sales of FeedZeBirds and SatoshiDICE shares.

20. As a result of the conduct described above, Voorhees violated Sections 5(a) and 5(c) of the Securities Act, which prohibit the direct or indirect sale of securities, offer to sell or offer to buy securities through the mails or interstate commerce unless a registration statement has been filed or is in effect.

### **Undertaking**

Respondent has undertaken to:

Forgo directly or indirectly, including, but not limited to, through any entity owned or controlled by Respondent, participating in any issuance of any security in an unregistered transaction, in exchange for bitcoins or other virtual currency, for a period of five years.

### **IV.**

In view of the foregoing, the Commission deems it appropriate to impose the sanctions agreed to in Respondent’s Offer.

Accordingly, it is hereby ORDERED that:

A. Pursuant to Section 8A of the Securities Act, Respondent cease and desist from committing or causing any violations and any future violations of Sections 5(a) and 5(c) of the Securities Act.

B. Respondent shall comply with the undertaking enumerated in Section III above.

C. Respondent shall, within twenty (20) days of the entry of this Order, pay disgorgement of \$15,000 and prejudgment interest of \$843.98 to the Securities and Exchange Commission. If timely payment is not made, additional interest shall accrue pursuant to SEC Rule of Practice 600.

C. Respondent shall, within twenty (20) days of the entry of this Order, pay civil money penalties of \$35,000 to the Securities and Exchange Commission. If timely payment is not made, additional interest shall accrue pursuant to 31 U.S.C. §3717.

D. The foregoing payments must be made in one of the following ways:

- (1) Respondent may make direct payment from a bank account via Pay.gov through the SEC website at <http://www.sec.gov/about/offices/ofm.htm>; or
- (2) Respondent may pay by certified check, bank cashier's check, or United States postal money order, made payable to the Securities and Exchange Commission and hand-delivered or mailed to:

Enterprise Services Center  
Accounts Receivable Branch  
HQ Bldg., Room 181, AMZ-341  
6500 South MacArthur Boulevard  
Oklahoma City, OK 73169

Payments by check or money order must be accompanied by a cover letter identifying Erik T. Voorhees as a Respondent in these proceedings, and the file number of these proceedings; a copy of the cover letter and check or money order must be sent to Valerie A. Szczepanik, Assistant Regional Director, Division of Enforcement, Securities and Exchange Commission, New York Regional Office, Brookfield Place, 200 Vesey Street, Suite 400, New York, NY 10281-1022.

By the Commission.

Jill M. Peterson  
Assistant Secretary