



NO. S-1912424
VANCOUVER REGISTRY

**IN THE SUPREME COURT OF BRITISH COLUMBIA
IN THE MATTER OF
SECTION 152 OF THE SECURITIES ACT, RSBC 1996, C. 418**

BETWEEN:

BRITISH COLUMBIA SECURITIES COMMISSION

PETITIONER

AND:

**EINSTEIN CAPITAL PARTNERS LTD.
EINSTEIN EXCHANGE INC.
EINSTEIN LAW CORPORATION
MICHAEL ONGUN GOKTURK**

RESPONDENTS

INTERIM RECEIVER'S FIRST REPORT TO THE COURT

November 14, 2019



**Grant Thornton Limited,
Interim Receiver of Einstein
Capital Partners Ltd., Einstein
Exchange Inc., Einstein Law
Corporation and Michael
Ongun Gokturk**

Grant Thornton Place
Suite 1600 – 333 Seymour Street
Vancouver, BC V6B 0A4

SCHEDULES

Schedule A Einstein Group Organization Chart

INTRODUCTION

Appointment

1. Grant Thornton Limited (the “**Interim Receiver**”) was appointed as Interim Receiver, without security, of all of the assets, undertakings and property of the Respondents by order of Madam Justice Baker dated November 1, 2019.
2. The appointment was made on the *ex parte* application of the British Columbia Securities Commission (the “**Securities Commission**”), pursuant to Section 152 of the *Securities Act* [RSBC 1996] c. 418.

The Einstein Group

3. Einstein Exchange Inc. (“**Einstein Exchange**”) is a British Columbia company, which operated a cryptocurrency exchange that facilitated buying, selling and exchanging of cryptocurrency for its clients.
4. Einstein Capital Partners Ltd. (“**Einstein Capital**”) is a British Columbia company, formed as a private investment vehicle to acquire Einstein Exchange.
5. Einstein Law Corporation (“**Einstein Law**”) is a British Columbia company.
6. Michael Gokturk (“**Gokturk**”) is the sole director of Einstein Exchange, Einstein Capital and Einstein Law (the “**Einstein Group**”).

Securities Commission Investigation

7. On May 6, 2019, the Securities Commission issued an Investigation Order, appointing enforcement staff under section 142 of the *Securities Act* to investigate the Einstein Group and Gokturk, as a result of numerous complaints received from members of the public claiming they were unable to access their funds from the Einstein Group.
8. Since then, the Securities Commission has pursued its investigation of the Einstein Group and Gokturk and, as a result of those investigations, believes that the Einstein Group does not hold sufficient fiat and cryptocurrency to repay its clients.

9. Based on the analysis of investigators with the Securities Commission, as of November 1, 2019, the Einstein Group owed approximately \$16 million CDN to its customers, based on exchange rates as at November 1, 2019.
10. The Einstein Group has informed the Interim Receiver that it believes that it owes customers between \$8 and \$10 million US. Mr. Gokturk reported loaning a significant amount of his personal funds to finance the business.
11. The Interim Receiver has not attempted to verify the accuracy of either the Securities Commission's or the Einstein Group's totals.

Appointment of Interim Receiver

12. In light of the urgent situation and the nature of the cryptocurrency, data and other assets of the Einstein Group, which are easily dissipated or moveable, the Securities Commission sought and obtained an urgent order pursuant to s. 152 of the *Securities Act*, without notice, for the appointment of the Interim Receiver, to take possession and exercise control over all of the assets and undertakings of the Einstein Group and Gokturk.

Einstein Group Premises

13. The Einstein Group's main premises are located at 300 – 717 Pender Street in Vancouver, British Columbia (the "**Premises**"). The Interim Receiver gained access to the Premises on the evening of Friday, November 1, 2019.
14. The Premises consists of a lobby/reception area for client purposes and a back office for employees. A Bitcoin ATM machine was present in the lobby/reception area when the Interim Receiver attended. This machine has now been secured in the back-office area.
15. The back-office area appeared to have been used for employees to handle the processing of cryptocurrency trades and customer support. It consists mainly of an open area with work stations, as well as four or five private offices.
16. A separate server room contains physical servers and cryptocurrency mining machines.
17. The Interim Receiver has secured the Premises. It has changed the locks and moved the Bitcoin ATM machine to the secure back area.
18. The Interim Receiver has secured the contents of two safes located on the Premises and moved those contents to another secure location.

19. The Interim Receiver was advised by the Einstein Group that the bitcoin ATM machine might contain a small amount of cash. The Interim Receiver subsequently gained access to that machine and confirmed that it contains no cash.
20. The Interim Receiver has also been advised the Einstein Group maintained a Bitcoin ATM machine in the West Edmonton Mall in Edmonton, Alberta. The Interim Receiver is in the process of taking steps to secure this machine, which may contain approximately \$13,000 in cash.
21. The workstations within the back office were all equipped with computer monitors. Several laptop computers had been left on or in a number of the workstations and several more were located in the drawer unit at one workstation. The Interim Receiver has now secured those laptops in a separate location. No desktop computers were located at the Premises.
22. One of the private offices was occupied by the Einstein Group's accountant. In this office, the Interim Receiver took possession of some limited information regarding bank accounts and accounts payable and receivable.
23. Some employee records were located in a separate HR/Administration office.
24. The Interim Receiver gained access to locked file cabinets in a separate room.
25. The Interim Receiver has boxed the paper books and records found on or in the Premises, including in the offices, in the locked file cabinets and on the employee desks in the workstation area and moved them to a secure location.
26. The Interim Receiver has received informal estimates that the value of the contents of the Premises, excluding laptop computers, servers and cryptocurrency "mining" machines, net of expenses, is likely to be less than \$8,000. Ownership of the cryptocurrency mining machines and other hardware is uncertain. The Einstein Group indicated this equipment may have a value of between \$40,000 and \$60,000.
27. The Einstein Group is in arrears with its landlord. The landlord has demanded occupation rent from the Interim Receiver of approximately \$1,000 per day.

Employees

28. On the evening of Friday, November 1, 2019, the Interim Receiver met at the premises with Alican Cakil ("**Cakil**"), who identified himself as an employee of the Einstein Group. According to an organization chart subsequently provided to the Interim Receiver, Mr. Cakil was in charge of "Development Operations" at the Einstein Group. A copy of the organization chart is attached as Schedule A to this Report.
29. The Interim Receiver had earlier spoken with Mr. Gokturk at his home in Vancouver. Mr. Gokturk had advised the Interim Receiver that Mr. Cakil would meet with representatives of the Interim Receiver to provide assistance in locating and securing assets.
30. Mr. Cakil advised the Interim Receiver that the Einstein Group had made a decision to cease operations on Thursday, October 31, 2019. Mr. Cakil advised the Interim Receiver that all employees were terminated on that day – although representatives of the Interim Receiver have since been contacted by individuals identifying themselves as employees of the Einstein Group who seem unaware of their status.
31. As far as the Interim Receiver is aware, no records of employment (ROEs) have been issued to employees by the Einstein Group.
32. The Interim Receiver has since been informed by representatives of the Einstein Group that employees of the Group were owed approximately \$70,000 in back wages as at October 31, 2019, and about \$130,000 in unpaid severance (1 month) and accrued vacation pay. The Interim Receiver has not sought to verify the accuracy of this information.
33. The Interim Receiver has not taken any of the steps required of receivers under s. 21 of the *Wage Earner Protection Program Act* [SC 2005] c. 47. Given the interim nature of its appointment, the Interim Receiver does not believe that it is a "receiver" within the meaning of the Act (and the Interim Receiver seeks a declaration to this effect).
34. Moreover, the Interim Receiver does not know whether it has received sufficient information from the Einstein Group so as to even be able to comply with subsections 21(a) and (b) of the Act. The Interim Receiver, as explained below, has had very little time to actually review any of the books and records of the Einstein Group. Instead, it has focused on securing and preserving those records.

Cryptocurrency

35. Mr. Cakil advised the Interim Receiver that the Einstein Group primarily maintained client funds and cryptocurrency with BitGo, a third-party cryptocurrency custodian which provides cryptocurrency security and storage solutions.
36. The Einstein Group advised the Interim Receiver that it, as well as Mr. Gokturk, also previously held cryptocurrency in "wallets" at various other online locations, such as the Einstein exchange, as well as other cryptocurrency exchanges. Additionally, the Interim Receiver identified a number of physical cryptocurrency storage devices held at the Premises, which the Interim Receiver was informed were previously used to hold customers' cryptocurrency assets. The physical cryptocurrency storage devices found at the Premises are accompanied with various PIN codes and recovery phrases, which would allow the user to examine the contents of said devices. The Interim Receiver has not taken steps to utilize these access codes and confirm the balances within the devices. The Interim Receiver has been informed by management of the Einstein Group that they likely do not contain any assets.
37. The Interim Receiver has been provided with all of the passcodes and security devices needed to access the Einstein Group's BitGo accounts, as well as other accounts and systems of the Einstein Group. The Interim Receiver has also been provided with the account login details of the other online cryptocurrency exchange accounts that the Einstein Group maintained for purposes of storing and managing customer's cryptocurrency assets. The Interim Receiver has not attempted to investigate the movement of funds in to and through these accounts.
38. The total value of all cryptocurrency identified by the Interim Receiver in the different wallets and accounts to which it has gained access, at current market prices, is less than \$15,000. The Interim Receiver has relied on management of the Einstein Group in identifying these cryptocurrency assets. It has not attempted to forensically investigate the accuracy or completeness of management's information, nor has it attempted to investigate the movement of assets through these wallets and accounts to other online or physical locations.
39. Management of the Einstein Group has informed the Interim Receiver that it believes that it owes customers between \$8 and \$10 million US. The Interim Receiver was informed by the Einstein Group that the majority of this deficit stems from a series of credit card and bank draft frauds that the

Einstein Group suffered and that the majority of this loss is made up of cryptocurrency assets. The Interim Receiver has not performed any further forensic work to validate this information or to attempt to confirm the whereabouts of the stolen cryptocurrency assets.

40. The Einstein Group's exchange is hosted on an Amazon Web Services ("**AWS**") cloud server. The Interim Receiver has changed the access codes and established separate administrative access to the contents of this server.
41. The Einstein Group's online platform source code is housed on GitHub, a web-based hosting service for software development projects. To secure the Einstein Group's source code, the Interim Receiver has changed the access rights of the Einstein Group employees who could amend the code contents, changing them to "view-only" users. The Interim Receiver has made itself the only full rights user of this account.
42. The Einstein Group used a client management system ("**CMS**") hosted by AlphaPoint, a third-party provider, to track client information. The Interim Receiver has been advised by the Einstein Group that this AlphaPoint CMS should contain a record of all customer account balances as well as transaction history since inception. Management of the Einstein Group has advised the Interim Receiver that it has, or has had, more than 200,000 customers, whose transactions will be recorded in the AlphaPoint system.
43. The Interim Receiver has taken appropriate steps to block all access to the AlphaPoint system and accounts.
44. The Interim Receiver has not reviewed the information stored in the AlphaPoint system. The Interim Receiver understands that the Einstein Group is substantially in arrears in the payment of licensing and other fees owing to AlphaPoint, which are accruing on a monthly basis. According to Mr. Cakil, AlphaPoint scaled back some of the services it provided to the Einstein Group on account of the arrears.
45. With the assistance of the Mr. Cakil, the Interim Receiver has shut down the main Einstein Group website, so that customers can no longer gain access to the main exchange domain to deposit funds or purchase cryptocurrency.
46. The Interim Receiver has disconnected internet access to the Premises, thus preventing remote access.

Accounting Systems and Financial Statements

47. The Einstein Group maintained its financial and accounting records through QuickBooks online. The Interim Receiver has been provided with access to these records and has changed and secured the passcodes necessary to access the information.
48. The Interim Receiver has not conducted any investigation or analysis of the Einstein Group's financial records.
49. The Interim Receiver has been advised by the Einstein Group's accountant, Jacky He, that the Einstein Group's financial accounting is not up to date and that it has not filed any corporate tax returns to date.

Bank and Investment Accounts

50. The Interim Receiver has been advised by the Einstein Group that it maintained operating accounts in Canada with CIBC and in the United States with Silvergate Bank ("**Silvergate**"), which describes itself as a leading provider of services to participants in the digital currency industry. Mr. Cakil provided the Interim Receiver with online access to one account at Silvergate on November 1, 2019 at which time there was a balance of approximately \$300 US. The Interim Receiver has delivered a letter to Silvergate instructing them to freeze the Einstein Group's accounts.
51. Einstein Law had an account with the TD Bank. It has a balance of about \$8,500. The Interim Receiver has frozen this account.
52. The Interim Receiver has issued notices to numerous banks as well as Canaccord Genuity in Vancouver, where Gokturk and/or the Einstein Group may have deposits or investments. Some or all of these accounts are held jointly with others. The Interim Receiver has not pursued any investigation of what, if any, beneficial interests Gokturk or the Einstein Group may have in these accounts.
53. The Interim Receiver also has seized the shares of certain private companies wholly-owned by Gokturk, including 0882105 BC Ltd., Pointify Exchange Inc. and Einstein Systems Inc.
54. The Interim Receiver believes that the first of these companies may hold an account or accounts with Canaccord Genuity, and has issued notices to the latter to freeze those accounts.

Emails

55. The Interim Receiver has not been provided access to the Einstein Group's email accounts. The Einstein Group has expressed concern about its emails containing privileged solicitor-client communications as their reason for denying access.
56. The Interim Receiver has taken steps to block access to the email accounts.

Timing Issues

57. The Interim Receiver was appointed on November 1, 2019. After gaining immediate access to the Premises, as described above, and taking appropriate steps to restrict access to the Einstein Group's books and records, the Interim Receiver's efforts to gain access itself to the Einstein Group's digital books and records was stalled for approximately 10 days while the Einstein Group and Mr. Gokturk retained legal counsel and brought issues regarding access to books and records based on solicitor-client privilege issues in relation to Einstein Law.
58. The Einstein Group did, during this period, provide the Interim Receiver with written responses to certain requests and questions provided by the Interim Receiver.
59. However, it was not until Monday, November 11, 2019, that the Interim Receiver gained substantial access to the Einstein Group's digital books and records.
60. While the Interim Receiver does not dispute the Respondents' right to retain counsel, it simply reports that had the Respondents provided the Interim Receiver with substantial access to the Einstein Group's digital books and records on November 2, 2019, instead of November 11, 2019, as occurred, the expenses of the interim receivership, including any occupation rent, likely would have been less.
61. Given the complexity of the Einstein Group's digital books and records, and extensive security protocols required to gain access to those books and records, including transfers and re-settings of passcodes (which process the Interim Receiver has suspended), the mere process of gaining access to and securing digital books and records has been time consuming and expensive and has not been fully completed. The Interim Receiver focused over the last three days on higher priority access to what it deemed critical systems that may have potentially contained material assets of currency or

critical customer and transaction information. The Interim Receiver also considered the maintenance of systems in relation to maintaining the potential enterprise value of the Einstein Group.

Information Provided Pursuant to Court Order

62. The Interim Receiver acknowledges that all information provided to the Interim Receiver by the Respondents was provided because it was required by the Interim Receivership Order.
63. The Interim Receiver acknowledges that the information disclosed to the Interim Receiver would otherwise be private and confidential to the Respondents and would not have been disclosed but for the Order.

The Interim Receiver's Website

64. Following its appointment, the Interim Receiver posted the following message on its website.

The Interim Receiver has received a high volume of inquiries from customers who have holdings with the Einstein Group. We understand and fully sympathize with the frustration of customers who are trying to understand the current situation and inquire about the status of their fiat currency and cryptocurrency. The Interim Receiver advises that it is very early in the process and, as such, we are unable to provide details of the status of our findings to date.

The Interim Receiver reiterates that all inquiries should be directed in writing to the Interim Receiver by email at Einstein.Receivership@ca.gt.com.

The Interim Receiver will publish updates on this website as it is able to publicly share information about its findings and activities. Please refer back to this website for such updates, including any additional court materials.

65. To date, the Interim Receiver has received between two and three hundred inquiries from customers of the Einstein Group and has responded to the majority of these inquiries. The Interim Receiver's responses to these inquiries have been consistent with the above message.

Creditors

66. The Interim Receiver is aware of claims against Gokturk and the Einstein Group. Amex Bank of Canada has a default judgment against Gokturk and Einstein Capital in the amount of approximately \$118,000. An individual by the name of Scott Nelson has filed a Notice of Civil Claim against Gokturk, claiming approximately \$535,000 in unpaid bitcoins. The Interim Receiver has been contacted by counsel for another creditor who claims to be owed several million dollars, but who has not yet filed civil proceedings. The Interim Receiver has also been advised by former corporate counsel to the Einstein Group that it has unpaid bills.
67. The Interim Receiver is aware, as well, of unpaid suppliers, including critical third-party service providers (including AlphaPoint and AWS).

GOING FORWARD

68. The Interim Receiver was appointed on an interim basis pursuant to an urgent Order obtained by the Securities Commission.
69. The Interim Receiver has been notified by the Securities Commission that it does not intend to apply to extend the interim receivership.
70. Based on the very limited review of the Einstein Group's books and records that the Interim Receiver has been able to carry out over the course of its appointment, the Interim Receiver does not believe that the Einstein Group has any assets of substantial value.
71. The "hard" assets of the Einstein Group consist of;
 - a. about \$30,000 in cash;
 - b. less than \$15,000 of cryptocurrency assets, at current prices;
 - c. some laptop computer (certain of which may belong to individual employees), monitors, servers and cryptocurrency mining machines located at the Premises;
 - d. three Bitcoin ATM machines; and
 - e. office furniture and equipment
72. Management of the Einstein Group have indicated to the Interim Receiver that they believe that the enterprise may have significant value to a third-party purchaser. The "enterprise" would include, among other things, the exchange platform and related proprietary technology, the customer

accounts, the Einstein Group name and the expertise of the Einstein Group employees.

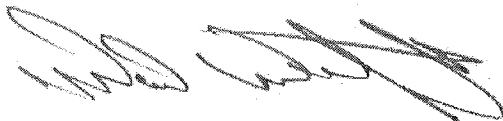
73. The Interim Receiver has not sought any opinions as to any potential enterprise value. Given the adverse publicity surrounding these proceedings, the Interim Receiver expects that any qualified appraiser would rate any enterprise value as speculative.
74. Moreover, selling any of the "hard" assets of the Einstein Group would involve costs and expenses which the Interim Receiver is not prepared to fund, even if it had a charge on all the assets for that purpose, because it believes that, aside from the cash, the cost of selling would outweigh any recovery.
75. The Interim Receiver therefore seeks an Order discharging the Interim Receiver, together with directions as to what to do with the assets, as well as the books and records, that the Interim Receiver has seized.

All of which is respectfully submitted to this Honourable Court.

GRANT THORNTON LIMITED

In its capacity as Interim Receiver of Einstein Capital Partners Ltd., Einstein Exchange Inc., Einstein Law Corporation and Michael Ongun Gokturk

Per:



Mark Wentzell, CPA, CA, CIRP, LIT
Senior Vice President

SCHEDULE A

