

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934
Release No. 102743 / March 28, 2025

ADMINISTRATIVE PROCEEDING
File No. 3-21655

In the Matter of	:	
	:	
Stoner Cats 2, LLC,	:	ORDER APPROVING PLAN OF
	:	DISTRIBUTION
Respondent.	:	
	:	

On September 13, 2023, the Commission issued an 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 (the “Order”) against Stoner Cats 2, LLC (the “Respondent” or “Stoner Cats 2”). In the Order, the Commission found that, on July 27, 2021, Stoner Cats 2, offered and sold as a security, to the public, 10,320 NFTs for approximately \$800 each (the “Offering”). According to the Order, the Offering sold out in 35 minutes and generated gross proceeds that equaled, at the time, approximately \$8.2 million. The Commission found that Stoner Cats 2 was required to, but did not, register the offer and sale of Stoner Cats 2 NFTs with the Commission and no exemption from registration was available. As described in the Order, Stoner Cats 2 violated Sections 5(a) and 5(c) of the Securities Act of 1933 and the Commission ordered Stoner Cats 2 to pay a civil penalty of \$1,000,000. The Commission also created a Fair Fund (the “Fair Fund”) pursuant to Section 308(a) of the Sarbanes-Oxley Act of 2002 so that the penalty collected can be distributed to harmed investors.

The Respondent has paid in full. The Fair Fund consists of the \$1,000,000 paid by the Respondent and is being held in a Commission-designated account at the U.S. Department of the Treasury. Any accrued interest will be added to and become a part of the Fair Fund.

On November 20, 2024, the Division, pursuant to delegated authority, published a Notice of Proposed Plan of Distribution and Opportunity for Comment (the “Notice”)¹ pursuant to Rule 1103 of the Commission’s Rules on Fair Fund and Disgorgement Plans, 17 C.F.R. § 201.1103, and simultaneously posted the Proposed Plan of Distribution (the “Proposed Plan”). The Proposed Plan provides for the *pro rata* distribution of the Fair Fund, plus accrued interest, less taxes and administrative costs, to compensate those investors who purchased or acquired Stoner

¹ Exchange Act Rel. No. 101659 (Nov. 20, 2024).

Cats 2 NFTs in the Offering on July 27, 2017, and either held through or sold on or before September 12, 2023. Investors who did not purchase or acquire Stoner Cats 2 NFTs in the Offering, or who are an Excluded Party, are ineligible to recover under the Proposed Plan. Under the Proposed Plan, only initial purchasers of Stoner Cats 2 NFTs will be eligible to recover from the Fair Fund.

The Commission received three comments on the Proposed Plan. Two of the comments were submitted by investors who purchased Stoner Cats 2 NFTs on the secondary market. Both commenters objected to limiting of the distribution to only initial purchasers in the Offering. These commenters both sought to be included in the group of eligible claimants. They asserted, among other things, that like the initial purchasers, they acquired Stoner Cats 2 NFTs without knowledge of Stoner Cats 2's violations of the federal securities laws described in the Order.

The third commenter requested that the Commission reconsider its enforcement action against Stoner Cats 2 and generally voiced displeasure with the Commission's decision to charge Stoner Cats 2 with violating the federal securities laws, contending that such actions stifle innovation.

After careful consideration of each comment and the Commission staff's recommendation, the Commission concludes that the Proposed Plan should be approved without modification.

In determining whether a distribution of the funds collected in this matter would be feasible and designing the distribution methodology, the Commission staff considered several factors. First, the estimated harm to investors, resulting from Stoner Cats 2's violations, far exceeds the amount of money recovered from the Respondent. Second, given the size of the Fair Fund and the anticipated administrative fees and expenses of implementing the Proposed Plan, the Fair Fund is only sufficient to partially compensate initial purchasers of the Stoner Cats 2 NFTs. Third, Commission staff economists estimate that the percentage of recovery of losses for all investors would fall substantially if secondary purchasers were included in the distribution and neither the initial purchasers nor investors in the secondary offerings market would receive a meaningful distribution amount. Fourth, if secondary purchasers were permitted to participate in the distribution, calculated distribution payments for many of those investors would not exceed the minimum distribution amount of \$20.00 defined in the Proposed Plan and they would therefore be excluded from the distribution. Considering these factors, limiting the distribution of the Fair Fund to initial purchasers of Stoner Cats 2 NFTs who participated in the Offering is necessary and appropriate to maximize the return to harmed investors.

Consistent with the approach used by district courts when considering whether to approve a distribution plan, the Commission's objective is to distribute Fair Funds in a fair and reasonable manner, taking into account relevant facts and circumstances. *See Off. Comm. of Unsec. Cr. of Worldcom, Inc. v. SEC*, 467 F.3d 73, 82 (2d Cir. 2006) ("so long as the district court is satisfied that 'in the aggregate, the plan is equitable and reasonable,' the SEC may engage in the 'kind of line-drawing [that] inevitably leaves out some potential claimants'" (quoting *SEC v. Wang*, 944 F.2d 80, 88 (2d Cir. 1991))).

For the reasons stated above, the Commission finds that the Proposed Plan is fair and reasonable and should be approved without modification.

Accordingly, it is hereby ORDERED, pursuant to Rule 1104 of the Commission's Rules,² that the Proposed Plan, is approved, and the approved Plan of Distribution shall be posted simultaneously with this Order on the Commission's website at www.sec.gov.

By the Commission.

Vanessa A. Countryman
Secretary

² 17 C.F.R. § 201.1104.