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Phone: +1 646 783 7100 | Fax: +1 646 783 7161 | customerservice@law360.com

Cryptocurrency Outlet Hit With Another Investor Fraud Suit

By **Carolina Bolado**

Law360 (February 9, 2018, 8:54 PM EST) -- The legal woes of cryptocurrency marketplace BitConnect mounted Thursday as the U.K.-registered lending and exchange platform was hit with another class complaint in Florida for allegedly operating as a Ponzi scheme that cheated thousands of investors out of millions of dollars.

In a suit filed in the Middle District of Florida, four investors say they were scammed by BitConnect Ltd. and its related companies, which were guaranteeing monthly returns of up to 40 percent just one month before the marketplace collapsed in mid-January.

"Despite boasting about its financial solvency and guaranteed returns, investors have been left with no way to withdraw their funds," the suit says. "Where there's smoke there's fire — here, it's clear that BitConnect made a final predatory push to grab as many investor funds as possible before closing up shop."

Lead plaintiffs Andrew Kline, Dusty Showers, Lena Huna and Charles Mabra want to represent a class of investors who transferred currency or cryptocurrency to BitConnect and lost money at any time since its initial coin offering on Nov. 15, 2016.

The four allege that BitConnect's operations had all the hallmarks of a Ponzi scheme and that the cryptocurrency was just a cover for the scheme.

BitConnect had claimed that investors could make high rates of return by buying and depositing their bitcoin on its platform in a byzantine arrangement that involved a second cryptocurrency backed by BitConnect called BCC and a supposed trading algorithm, the suit says. At one point, the BCC was about \$436 per token, and market capitalization was valued at more than \$4.1 billion, according to the suit.

In mid-January, BitConnect claimed on its Twitter feed to be experiencing "server issues" and then said it had been facing a distributed denial-of-service attack, and when BitConnect's website returned, the company's trading platform was offline and one of BitConnect's central investment programs was no longer offered, according to the complaint.

The site was shut down after it received **cease-and-desist orders** from North Carolina and Texas regulators. At that point, the BCC lost more than 90 percent of its value, according to the suit.

BitConnect is already facing investor suits in the **Southern District of Florida** and in the **Western District of Kentucky**.

Representatives for the parties in the current case could not immediately be reached for comment Friday.

The investors are represented by Joshua H. Eggnatz of Eggnatz Pascucci and Michael J. Klein of Stull Stull & Brody.

Counsel information for the defendants was unavailable.

The case is Kline et al. v. BitConnect Ltd. et al., case number 8:18-cv-00319, in the U.S. District Court for the Middle District of Florida.

--Additional reporting by Jack Newsham, Ryan Boysen and Cara Salvatore. Editing by Edrienne Su.

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