

invest/trade the Plaintiffs' funds in various cryptocurrencies and altcoins to earn a profit on their behalf. Doe provided falsified electronic documentation on a daily basis, purporting to reflect unbelievable investor returns on the account. In reality, John Doe simply absconded with the cryptocurrency—the investment “returns” were not real. Unknown to [REDACTED] and [REDACTED] at the time, shortly after the investments were made, the Securities & Exchange Commission of the Philippines issued an Investor Advisory, indicating that “Bitrade Bitcoin Trading Ltd.” had been identified as a fraudulent scheme. (Exh. A). Indeed it was.

The Parties

3. [REDACTED] Investment Club is a general partnership under Texas law comprised of individual investor-partners who reside in Texas, Colorado, Missouri, Oklahoma, and Kentucky.

4. [REDACTED] is an individual who resides in Fort Worth, Texas.

5. John Doe is an individual who has represented that he is located and resides in Puerto Rico.

6. Bitrade Bitcoin Trading Ltd. is a Private Limited Company domiciled in the United Kingdom. Its registered agent's listed address, and the location upon which is can be served, is Flat 14, De La Mare Court, 6 Stratheden Road London England SE3 7BE.

Jurisdiction and Venue

7. This Court has jurisdiction pursuant to 28 U.S.C. §§ 1331, 1332, and 1367.

8. Venue is proper in this Court under 28 U.S.C. § 1391 because a substantial part of the events or omissions giving rise to the claims occurred, and a substantial part of the property that is the subject of this action was situated in, this judicial district.

Facts

9. On or about February 3, 2020, ██████████ began communicating with an individual who represented himself to be “Teeka Tiwari” (John Doe). Teeka Tiwari is a fairly well-known cryptocurrency trader who is identified with a group known as Palm Beach Research Group. ██████████ was a paying subscriber for a program through which Teeka Tiwari (the actual Teeka Tiwari) provided cryptocurrency investing/trading advice and recommendations. The initial communications with John Doe took place through Twitter. After ██████████ followed the handle “@teekatiwari1,” he received a direct message from that twitter handle, initiating a conversation.

10. John Doe invited ██████████ to invest cryptocurrency with him, stating that “The program you are about to register for is like a dream come true and you will forever be glad that you did. All you have to do is to login your account time to time to see for yourself how your account grow [sic].” (Exh. B, p. 2)¹. Doe further stated that “If you let me manage an account for you, you will start seeing the results from the first week.” (Exh. B, p. 4). Doe made continued representations of a similar nature that were designed to promise unrealistic investment returns, all in an effort to defraud his targets and to induce them to send cryptocurrency to him on fraudulent pretenses. Ultimately, Doe reported double-digit percentage gains on almost a daily basis, and never suffered a decline on a single day for months—results that, in retrospect, were “too good to be true.” The promised returns, and the falsified reports of returns were all part of the fraudulent scheme and were designed to further induce the targets to send additional cryptocurrency to him on fraudulent pretenses.

¹ The referenced exhibits are incorporated herein as part of the Complaint. All dates reflected therein, identifying the dates of referenced fraudulent statements or acts, are incorporated herein and are alleged as such.

11. At the beginning of the relationship, John Doe instructed [REDACTED] to create an account at “bitradexx.com”. Based upon undersigned counsel’s investigation, Bitradexx.com resolves to a U.S. IP address, and reflects a server location in the United States. The domain is registered to NameCheap, Inc., which is a privately held company and is an ICANN-accredited domain name registrar based in Phoenix, Arizona. That domain was last updated on **September 9, 2019**. *See* <https://bitradexx.com.ipaddress.com>. The website domain reflects several indicators of a fraudulent purpose: it has a “Terme [sic] of use [sic]” that contains “Lorem ispum dolor” filler language. (Exh. F). Its linked “condition use [sic]” is blank (Exh. G). A screenshot of the website is attached as Exh. C. These factors all demonstrate that it was and is a fraudulent website.

12. [REDACTED] opened an account through bitradexx.com as instructed. John Doe assured [REDACTED] that “We will start seeing results in a few days.” (Exh. B p. 7). Indeed, he made fraudulent and untrue representations and promised unrealistic returns throughout the relationship.

13. John Doe requested that [REDACTED] use “Whatsapp” to engage in discussions with him (Exh. B, p. 7). They engaged in a short series of texts, and John Doe emailed Quesenbury a copy of a trading agreement that purported to serve as a legal agreement between [REDACTED] them. (Exh. D). The document reflects that the agreement was to be with “Palm Beach Research Group” and purported to authorize “Teeka Tiwari” to engage in cryptocurrency transactions. The documents were intended to further John Doe’s fraud and to induce “investment” of the targets’ cryptocurrency. Under that agreement, and under the agreement established by correspondence, the victims would invest money (in the form of cryptocurrency) with John Doe in a common enterprise wherein Doe would invest funds and generate a profit, making all investment decisions.

14. In retrospect, numerous aspects of the agreement indicate that it was illegitimate, but the legal formality and its content helped lend an appearance of legitimacy to the transactions and

relationship. The agreement was sent from the following email address: teeka@palmsbeachgroup.com (The “s” after “palm” indicates the domain is a fraudulent domain intended to mimic the true “palmbeachgroup.com” website).²

15. John Doe also later provided a copy of a Certificate of Incorporation of a Private Limited Company with respect to Bitrade Bitcoin Trading Ltd. (Exh. E).³ That document reflects that the entity was incorporated in England and Wales on **August 9, 2019**.⁴ The document reflects a company director, Mr. Carlo Smith. John Doe held this company out as the entity under which the trading activity took place, all as part of an effort to lend an air of legitimacy to his fraudulent scheme.

16. On February 4, 2020, John Doe instructed ██████████ to send an email to “Support” in order to have the trader’s company send him its “bitcoin address.” ██████████ sent the requested email and received a response from the purported Bitradexx “Support” team providing the bitcoin address. The bitcoin address is the location on the bitcoin blockchain where the trader instructed ██████████ to send bitcoin. That address was: `***T*2*Z*k*g*d**N*****`. Throughout the relationship to come, ██████████ (at first on behalf of himself, and later on behalf of the investment partnership) communicated with John Doe through his phone and through his computer over the internet and, to a lesser extent, by email.

² A review of the website, <http://palmsbeachgroup.com/en/index.html>, and www.palmbeachgroup.com (which is the site the fraudulent actors intended to mimic), indicates that the former site is a past copy of the latter and has not been updated. The www.palmsbeachgroup.com domain was created, registered and last updated on **September 26, 2019**—a date that is close in time to the date that the bitradexx.com website domain was last updated, indicating that their formation/creation was coordinated and that they are not, in fact, unaffiliated with John Doe or Bitrade. The domain resolves to an IP address that is reported to be a Canadian IP address and reflects a server location in Canada. The domain is registered at NameSilo, LLC.

³ The Securities & Exchange Commission of the Philippines subsequently issued an Investor Advisory indicating that it had identified “Bitrade Bitcoin Trading Ltd.” as a fraudulent scheme. (Exh. A)

⁴ Note the close proximity of the date of the formation of this entity, and the registration of bitradexx.com trading platform website as well as the palmsbeachgroup.com website. All were established within a few weeks of each other, although John Doe holds out the bitradexx trading platform as being a third-party platform.

17. On that same date, Quesenbury, in communications with John Doe, requested that he confirm that he was Teeka Tiwari. (Exh. B, p. 10). John Doe also offered to have a “skype” call. (Exh. B, p. 10). They initiated a very brief skype call, during which Doe connected very briefly—long enough to say “hello,” and abruptly hung up (apparently faking connection difficulties). The John Doe on the other end looked like Teeka Tiwari. The entire event was part of Doe’s effort to foster confidence that he was legitimate and to ultimately induce his target to “invest” cryptocurrency.

18. Investments were made by transferring cryptocurrency (bitcoin) to the public address/account provided by the Support team/John Doe. The transfers were consummated from virtual currency exchange accounts (or electronic wallets) held at various exchanges and were initiated through the use of Quesenbury’s computer or phone. Other partner-investors utilized their computers or phones as well to send virtual currency to a centralized account in order to allow it to be invested with John Doe.

19. After ██████████ made an initial investment, John Doe would regularly text him through Whatsapp (Exh. B) and would generally begin a conversation by prompting ██████████ to check his account. Each trading day that ██████████ would check the account, it would have increased, indicating that John Doe had earned significant income—all as part of an effort to encourage ██████████ to send more bitcoin to John Doe’s address for “investing” / “trading.”

20. By way of example, on February 11, 2020, ██████████ responded to John Doe in disbelief at the early gains: “What kind of magic are you using???” I saw the account. My goodness man! You are doing great!!!” John Doe would use these supposed gains to entice ██████████ to increase funding into the account in order to increase the potential underlying investment and, therefore, the return. (e.g., Exh. B, pp. 15-16).

21. Again, by example, on February 12, 2020, John Doe asked, “have you checked your balance?” [REDACTED] after checking the account, stated “Very nice! Another 15%.” This exchange is indicative of the type of exchange that they engaged in day to day.

22. John Doe continued to use the “gains” to entice [REDACTED] to invest more, inviting him to take his account “premium.” (Exh. B, p. 22). Taking an account “premium” meant investing larger amounts, an act that John Doe repeatedly indicated would result in even larger gains and returns on investment. John Doe’s efforts to entice additional investment were repeated, but were tactful (not overly pushy, but firm) and sophisticated.

23. There were, however, many irregularities with the “account” information. For example, John Doe asked [REDACTED] if he had checked his balance. [REDACTED] stated that “It’s interesting. I watch it all day. Seems like most of our movement happens over just a few minutes.” John Doe stated, in response, “No. It takes time to update on your end.” [REDACTED] ultimately stated, “It’s fun when you get the results you’ve been getting. Especially when the rest of the market is having a rough day.” (Exh. B, p. 26). This indicates that the purported “real time” results were simply input on the interface by the fraudulent parties to trick their targets into believing they were realizing impressive gains and to entice them to invest more. Indeed, John Doe was constantly pushing for additional investments and promising larger and larger returns if more was invested.

24. The irregularities continued. On that same date, [REDACTED] asked John Doe, “When do you expect NMR to pop?” John Doe responds, “I will definitely let you know when my chart says something about it.” [REDACTED]: “Wasn’t that your big recommendation for this month?” John Doe: “Yeah it was on my watchlist.” This exchange seems to indicate that John Doe was not aware of a recommendation that the real Teeka Tiwari had made to his investment group, and demonstrates an attempt to play off his initial response and the fact that he was not the real Teeka Tiwari.

25. “The “gains” continued. Day after day, there were exceptional investment gains reported without a single day reflecting a loss.

26. After a little more than a month, [REDACTED] informed John Doe that he had a group of investors/partners who were interested in investing with the trader as well. Those investor-partners comprised the general partnership, [REDACTED] Investment Club. [REDACTED] was a member of the group/general partnership.

27. [REDACTED] and John Doe ended up establishing an understanding that the account at issue would ultimately be withdrawn, and that Quesenbury would be bringing additional investors and funds—through his partnership, [REDACTED] that would create a new fund to replace his personal account. They engaged in repeated and regular discussions about this event. [REDACTED] informed John Doe that the investment club would have an initial deposit of “1 million” dollars. (Exh. B, 42). [REDACTED] engaged in these efforts in good faith, believing John Doe was amassing unbelievable returns that could benefit others. He was manipulated and defrauded over time. Ultimately, [REDACTED] and [REDACTED] invested more than \$780,000. Throughout the interactions, it became clear that the amounts could not be withdrawn.

28. On another date, April 9, 2020, [REDACTED] sent John Doe a message, stating “Haven’t seen any activity today yet.” The trader responded, “There might be a little delay on the system.” [REDACTED] then responded, “As soon as I sent you the message I started to see them come across [on his account].” (Exh. B, pp. 41-42). This is another indication of the data appearing on the account being fictitious. Further, John Doe, after discussing the upcoming infusion of a million dollars by the investment group, stated that “instead of the sykpe [sic] call, [I] will strongly recommend if we all can have a one and one meeting preferable [sic] after the pandemic, you know there are some certain things am not comfortable and not advisable to discuss over the phone or through an ordinary

app, we are talking about a community of investors here.” (Exh. B, p. 42). John Doe was actively avoiding direct contact—essentially stalling any face-to-face contact with [REDACTED], in an effort to further the fraud.

29. On April 23, 2020, [REDACTED] asked, “Quick question: the est BTC value for my portfolio is down today 1.13 BTC while the actual value is up for every coin in my account. How is that possible? Especially in such a big drop and big increases in prices.” John Doe responds, “The balance fluctuate with the market.” This represents another attempt to hide, and further, the fraud. John Doe’s explanations throughout the relationship were, in retrospect, classic fraudster statements, generalized remarks that did not actually explain anything and that left his victims assuming that John Doe simply knew something that they did not.

30. During the period of the fraud, [REDACTED] on behalf of [REDACTED] sent an email to the purported Bitradexx “Support” requesting the public blockchain addresses where underlying cryptocurrencies in their account were held. The “Support” team provided blockchain addresses in response. Upon investigation, those addresses do not have any such current holdings and one address reflected that all holdings had been transferred to other persons—all confirming the fraud.

31. On May 8, 2020, [REDACTED] stated “Given the market, it is hard to imagine 50+ straight days without any losses. BUT I’m not complaining!!!” (Exh. B, p. 60). And so the fraud continued.

Count I
Fraudulent Inducement

32. Plaintiffs repeat and reallege each and every allegation as set forth in paragraphs 1-31, inclusive, and incorporate them herein by this reference.

33. By acts of omission and commission, John Doe and Bitrade made false statements concerning material facts about Plaintiffs’ investments with them.

34. John Doe and Bitrade knew these statements were false at the time they were made. Doe and Bitrade intended that Plaintiffs would be induced to invest with them by relying upon the statements of fact.

35. As a direct and proximate result of their reliance upon the statements, the Plaintiffs have suffered damage.

Count II
Fraud

36. Plaintiffs repeat and reallege each and every allegation as set forth in paragraphs 1-35, inclusive, and incorporate them herein by this reference.

37. John Doe made material false representations to Plaintiffs with the knowledge of their falsity or with reckless disregard of the truth with the intention that such representations would be acted upon by Plaintiffs, and Plaintiffs relied on these representations to their detriment. As a proximate result of such fraud, Plaintiffs sustained the damages described herein.

38. For these reasons, John Doe's actions, and the actions of Bitrade Bitcoin Trading Ltd., were fraudulent and resulted in damages to the Plaintiffs of more than \$780,000—the value of cryptocurrency transmitted to John Doe and Bitrade Bitcoin Trading Ltd.

Count III
Breach of Fiduciary Duty

39. Plaintiffs repeat and reallege each and every allegation as set forth in paragraphs 1-38, inclusive, and incorporate them herein by this reference.

40. John Doe and Bitrade possessed superior knowledge about the investment protocol that they touted and investments into it.

41. The Plaintiffs reposed trust and confidence in John Doe and Bitrade.

42. John Doe and Bitrade undertook a relationship fundamentally built on trust and assumed a duty to advise, counsel, and protect the Plaintiffs with respect to their investments.

43. John Doe and Bitrade owed a duty to the Plaintiffs to secure their funds.

44. John Doe and Bitrade owed a duty to the Plaintiffs to disclose all material information.

45. John Doe and Bitrade owed a duty to the Plaintiffs not to make false statements or create false impressions.

46. John Doe and Bitrade owed a duty to put the Plaintiffs' interest ahead of their own.

47. John Doe and Bitrade violated their fiduciary duties by providing false information to Plaintiffs, improperly advising Plaintiffs, failing to protect the Plaintiffs' investments, failing to secure Plaintiffs' investments, failing to disclose material information, by making false statements and creating false impressions, and by putting their interests ahead of those of Plaintiffs, thereby causing damages to Plaintiffs.

**Count IV
Computer Fraud and Abuse Act ("CFAA")**

48. Plaintiffs repeat and reallege each and every allegation as set forth in paragraphs 1-47, inclusive, and incorporate them herein by this reference.

49. [REDACTED] and [REDACTED] computers and computer systems are "protected computers" under the Computer Fraud and Abuse Act ("CFAA"). 18 U.S.C. § 1030(e)(2).

50. [REDACTED] and [REDACTED] multiple custodial wallets are computers systems on virtual currency exchanges and on the Bitradexx trading platform under the CFAA and are "protected computers."

51. John Doe knowingly and intentionally accessed a protected computer without authorization and with an intent to defraud. Specifically, John Doe accessed [REDACTED] and [REDACTED] electronic funds and accounts (including the purported separate Bitradexx account) for

unauthorized purposes and uses. In addition, John Doe knowingly and intentionally caused a protected computer to be accessed in an unauthorized manner and/or in a manner that exceeded authorized access, and with an intent to defraud.

52. Through such conduct, John Doe furthered the intended fraud and obtained things of value—specifically, more than \$780,000 of virtual currency.

53. As part of the scheme, John Doe caused the transfer of defrauded virtual currency from virtual currency exchanges domiciled in multiple states and countries, including California, Delaware, Hong Kong, Singapore, and others; and caused the transfer of virtual currency from the possession of persons located in Texas to persons purported to be located in Puerto Rico and the United Kingdom.

54. John Doe's unauthorized access and scheme to defraud was across state lines and accomplished using the internet, which was used in interstate and foreign commerce and communications.

55. The protected computers were used in interstate and foreign commerce and communications. To the extent that the protected computers were located outside the United States, they were used in a manner that affects interstate and foreign commerce and communications in the United States.

56. John Doe's conduct has caused other damage and loss to [REDACTED] and [REDACTED]

57. John Doe's activities constitute a violation of the CFAA. 18 USC § 1030(a)(4).

Count V
Violation of Section 12(a)(1) and 15(a) of the Securities Act

58. Plaintiffs repeat and reallege each and every allegation as set forth in paragraphs 1-57, inclusive, and incorporate them herein by this reference.

59. Section 12(a)(1) grants Plaintiffs a private right of action against any person who offers or sells a security in violation of Section 5, and states that such person:

Shall be liable . . . to the person purchasing such security from him, who may sue either at law or in equity in any court of competent jurisdiction, to recover the consideration for such security with interest thereon, less the amount of any income received thereon, upon the tender of such security, or for damages if he no longer owns the security.

60. Section 5 requires that non-exempt securities be register with the SEC. The Defendants did not register any security at issue with the SEC, and no security at issue was exempt.

61. Under the Securities Act, a “security” is defined as including any “note,” “investment contract,” or “instrument commonly known as a ‘security.’” *See* 15 U.S.C. §§77b(a)(1).

62. The accounts established with John Doe constitute an investment contract, as did the cryptocurrency that he purported to purchase and sell with respect to that account. In *SEC v. W.J. Howey Co.*, the United States Supreme Court established a three-part test to determine whether an offering, contract, transaction, or scheme constitutes an investment. Under the test articulated in *Howey*, a contract, transaction, or scheme is an “investment contract” if it involves: (i) the investment of money; (ii) in a common enterprise; (iii) with the expectation of profits to come solely from the efforts of others.

63. Plaintiffs’ joint investment of cryptocurrency or fiat currency constitutes an investment of money for purposes of determining whether an investment involved a security.

64. Plaintiffs were investing in a common enterprise with John Doe and Bitrade, as the cryptocurrency and fiat currency were pooled under the control of John Doe and Bitrade, and the success of the investments was entirely reliant on Doe and Bitrade.

65. Throughout the relationship, John Doe and Bitrade unlawfully made use of means or instruments of transportation or communication in interstate commerce or of the mails for the purposes of offering, selling, or delivering unregistered securities in violation of the Securities Act.

66. As John Doe and Bitrade participated in the offer and sale of unregistered securities in violation of the Securities Act, they are liable to Plaintiffs for rescission and/or compensatory damages. Due to his position of control (or the fact that his actions were taken directly), John Doe is liable under Section 15(a) of the Securities Acts for the actions described herein.

Count VI Unjust Enrichment

67. Plaintiffs repeat and reallege each and every allegation as set forth in paragraphs 1-65, inclusive, and incorporate them herein by this reference.

68. Under Texas law, a person is unjustly enriched when he obtains a benefit from another by fraud, duress, or the taking of an undue advantage. One who receives benefits, even passively, which would be unjust to retain must make restitution for those benefits.

69. John Doe obtained benefits from [REDACTED] and [REDACTED]—namely, more than \$780,000 of virtual currency—by fraud and taking of an undue advantage. As such, John Doe has been unjustly enriched and should be ordered to make restitution for all such amounts.

Prayer for Relief

WHEREFORE, Plaintiff respectfully requests that this Court:

70. Award damages of \$780,000 or such greater amount as shall be proven at trial;

71. Award exemplary damages, as a Plaintiff who prosecuted a suit for fraud may obtain exemplary damages under Section 41.003(a) of the Texas Civil Practice and Remedies Code because the Defendants perpetrated a fraud upon and acted with malice with respect to Plaintiff, including by engaging outrageous course of conduct, violating Section 32.45 (misapplication of fiduciary property) and Section 32.46 (securing execution affecting property) of the Texas Penal Code, resulting in no limitation by Section 41.008 of the Texas Civil Practice & Remedies Code. ;

72. Award attorneys' fees and expenses incurred;

73. Award pre-and post-judgment interests, costs incurred, and such other and further relief as the Court deems just and proper.

Dated this 20th day of July, 2020

Respectfully submitted,

By: /s/ Jason B. Freeman

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