



Investors Bring Class Action Lawsuit against Block.one for “Biggest of All Crypto Frauds” – Coin-Offering Scam Netted Company Billions

Block.one paid mere \$24 million settlement to the SEC last year, leaving investors worldwide holding the bag for worthless digital asset that Block.one promised would finance a new open-source software; instead, token’s valuation plunged 85%

Suit filed in NY’s Southern District by leading investor law firm Grant & Eisenhofer along with renowned investor advocate James Koutoulas, blockchain/cryptocurrency litigator Jenny Vatenko, and Northwestern University Bluhm Legal Clinic

NEW YORK (May 18, 2020) – A diverse group of individual and corporate investors has filed a class action lawsuit today against blockchain software firm **Block.one**, alleging it defrauded them through a year-long illegal initial coin offering that netted the company in excess of \$4 billion but left investors with an unregulated asset that became virtually worthless.

The suit, brought in federal court in the Southern District of New York, was filed jointly by leading investor law firm **Grant & Eisenhofer** along with renowned investor advocate **James L. Koutoulas**, blockchain and cryptocurrency litigator **Jenny Vatenko**, and **J. Samuel Tenenbaum** of **The Bluhm Legal Clinic’s Complex Civil Litigation and Investor Protection Center** at Northwestern University.

The action, filed in the United States District Court for the Southern District of New York, is brought on behalf of all persons or entities who purchased or acquired EOS tokens during the period between June 26, 2017 and the present. The action is captioned: *Crypto Assets Opportunity Fund LLC and Johnny Hong v. Block.one, Brendan Blumer, Daniel Larimer, Ian Grigg, and Brock Pierce*, 1:20-cv-3829 (S.D.N.Y.). It is related to the action *Williams et al. v. Block.One et al.*, 1:20-cv-02809 (S.D.N.Y.) pending before Judge Lewis A. Kaplan in the United States District Court for the Southern District of New York.

Today’s filing is Block.one’s second legal challenge over its ICO. Last September, the company agreed to a \$24 million settlement with the Securities and Exchange Commission — a relative slap on the wrist that did little to promote investor protection. The new complaint is an effort to hold Block.one and its leadership accountable for duping global investors in what may be “the biggest of all crypto frauds.”

In asserting violations by Block.one of Sections 5, 12(a)(1)-(2), and 15 of the 1933 Securities Act and Sections 10(b) and 20(a) of the 1934 Securities Exchange Act, the lawsuit alleges breach of fiduciary duty and unjust enrichment by defendants, who comprise both current and former company executives. They include co-founders Brendan Blumer and Daniel Larimer, who remain with Block.one, and co-founder Brock Pierce, who has since departed. Also named is former partner Ian Grigg.

Block.one, founded in 2017, has operations in Virginia and Hong Kong but is registered in the Cayman Islands. Starting in June 2017 and over the course of almost a year, it sold 900 million EOS cryptocurrency tokens by aggressively marketing to investors in the United States and other countries.

Announced with great fanfare and publicized as a means of funding a new open-source software and superior competitor to the Bitcoin and Ethereum blockchains, the offering was accompanied by a Times Square billboard ad, a bullish white paper, presentations by company principals at blockchain conferences and meet-ups, and promotion via crypto-focused online news and investor outlets. As the complaint states, “defendants worked cooperatively to promote EOSIO as the next, superior version of the existing blockchain...”

As the complaint notes, however, at no time during all of this fanfare did Block.one register its offering with the SEC, as required by U.S. securities law, nor seek an exemption from registration (for which it did not qualify).

The complaint alleges that the consequence of this willful evasion of regulations – expressly established to promote fairness and investor confidence – was to blind the ICO’s investors, depriving them of disclosures regarding Block.one’s financial history, operations and budget, executive compensation, material trends, risk factors, and other information required by law.

In essence, the complaint alleges, Block.one made a wild-card coin offering that profited the company handsomely but ultimately left investors holding little more than crypto-dust.

In September 2019, the SEC issued a cease-and-desist order against further sale of Block.one’s tokens, determining they were securities under the law and had been sold without proper registration. At no time had the company disclosed that it was subject of a government investigation.

Attorneys representing investors note that Block.one’s \$24 million settlement with the SEC represents a meager 0.6% of the \$4 billion Block.one raised through its ICO. Unusually, the settlement did not require registration of the tokens going forward, or reimbursement or rescission for investors; nor did it disqualify Block.one from making securities offerings in the future. The lawsuit argues that the company’s minor mea culpa was only a tiny speed bump in what remains a successful scheme to defraud investors.

“Institutional funds that were lied to by Block.one have a duty to all their investors – large and small – to take action against fraudsters and con artists,” said **James Koutoulas**, CEO of hedge fund Typhon Capital Management and securities lawyer who formed the nonprofit Commodity Customer Coalition and led the 101% recovery of \$6.7 billion for victims of the MF Global bankruptcy.

He continued, “We believe in the cryptocurrency space, which is why those who exploit it for naked personal gain need to be held accountable. Where the SEC only dipped a toe into upholding securities laws and protecting investors, our action encourages those who were swindled by this biggest of all crypto frauds to join us in pressing the courts for justice and restitution.”

Daniel Berger, a director at **Grant & Eisenhofer** and veteran class action litigator, said, “Investors of all types deserve to be treated equitably and honestly. This lawsuit is an important means to redress the brazenly unlawful conduct that Block.one exhibited in defrauding investors through its EOS token offering.”

For investors who purchased or acquired EOS securities during the Class Period, you are a member of this proposed Class and may be able to seek appointment as lead plaintiff, which is a court-appointed representative for the Class, by complying with the relevant provisions for the Private Securities Litigation Reform Act of 1995 (the “PSLRA”). See 15 U.S.C. Section 78u-4(a)(2)(A)(i)-(iv). If you wish to serve as lead plaintiff, you must move the Court no later than June 8, 2020. You need not seek to become a lead plaintiff in order to share in any possible recovery. You may retain counsel of your choice to represent you in this action.

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