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UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

**SECURITIES AND EXCHANGE
COMMISSION,**

Plaintiff,

-against-

**TREVON BROWN,
CRAIG GRANT,
JOSHUA JEPPESEN,
RYAN MAASEN, and
MICHAEL NOBLE,**

Defendants,

-and-

LAURA MASCOLA,

Relief Defendant.

COMPLAINT

21 Civ. 4791

JURY TRIAL DEMANDED

Plaintiff Securities and Exchange Commission (“SEC”), for its Complaint against Defendants Trevon Brown (“Brown”), Craig Grant (“Grant”), Joshua Jeppesen (“Jeppesen”), Ryan Maasen (“Maasen”), and Michael Noble (“Noble”) (collectively, “Defendants”) and Relief Defendant Laura Mascola (“Mascola”), alleges as follows:

SUMMARY

1. From approximately January 2017 to January 2018, BitConnect, an unincorporated organization, raised approximately \$2 billion by conducting an unregistered offering and sale of securities in the form of investments into BitConnect’s “lending program.” Defendants Brown, Grant, Maasen, and Noble, along with BitConnect itself and others, offered and sold the lending program as securities without registering the offering with the SEC as required by the federal securities laws and without a valid exemption from this registration requirement. Defendant Jeppesen aided and abetted BitConnect’s unregistered offer and sale of these securities.

2. To raise over \$2 billion from these unregistered offers and sales of securities, BitConnect used a network of promoters—including Brown, Grant, Maasen, and Noble—who advertised the merits of investing in BitConnect’s lending program to prospective retail investors and in return received a percentage of the invested funds they obtained. They did so without being registered as broker-dealers with the SEC, as the federal securities laws require.

3. To conduct its offer and sale of securities, BitConnect told investors it would deploy investor funds to trade in and profit from the volatility of Bitcoin. In return, BitConnect promised to pay investors the resulting profits, which BitConnect promised could be as high as approximately 40% per month. BitConnect also offered referral commissions to existing investors who referred new investors to the lending program.

4. Brown, Grant, Maasen, and Noble promoted and touted investments into the lending program to potential retail investors, including by creating “testimonial”-style videos advertising the merits of investing in the program and then publishing the videos on YouTube, sometimes multiple times a day, with a referral link to the BitConnect lending program.

5. For each new loan that Brown, Grant, Maasen, or Noble brought in, BitConnect paid the respective promoter a percentage of that new investment as “referral commissions.” The

referral commissions initially ranged between 0.2% and 7% and later ranged between 2% and a maximum of 5%.

6. BitConnect also awarded its top promoters—including Brown, Grant, Maasen, and Noble, who were among BitConnect’s most successful promoters in the United States—an additional sales commission it called “development funds.” The “development funds” were paid weekly and were calculated as a certain percentage of new loans made during that week by certain investors (typically those recruited by the individual promoter, or by investors that the individual promoter’s investors had recruited).

7. Brown obtained at least \$480,000, Grant over \$1.3 million, Maasen over \$475,000, and Noble over \$730,000 as “referral commissions” and “development funds” from promoting and touting investments into BitConnect’s lending program to retail investors.

8. As BitConnect’s “Continental Promoter,” Jeppesen served as a liaison between BitConnect and the national promoters appointed by BitConnect to manage the promoter networks within their own countries and represented BitConnect at conferences and promotional events.

9. By aiding and abetting BitConnect’s unregistered offers and sales of its lending program investments, Jeppesen obtained over \$2.6 million, of which he transferred over \$500,000 to Mascola, his fiancée.

VIOLATIONS

10. By virtue of the foregoing conduct and as alleged further herein, Defendants Brown, Grant, Maasen, and Noble violated Section 5 of the Securities Act of 1933 (“Securities Act”) [15 U.S.C. § 77e(a)] and Section 15(a) of the Securities Exchange Act of 1934 (“Exchange Act”) [15 U.S.C. § 78o(a)]; and Defendant Jeppesen aided and abetted BitConnect’s violations of Section 5 of the Securities Act [15 U.S.C. § 77e(a)].

11. Unless Defendants are restrained and enjoined, they will engage in the acts, practices,

transactions, and courses of business set forth in this Complaint or in acts, practices, transactions, and courses of business of similar type and object.

NATURE OF THE PROCEEDINGS AND RELIEF SOUGHT

12. The SEC brings this action pursuant to the authority conferred upon it by Securities Act Section 20(b) and Section 20(d) [15 U.S.C. §§ 77t(b) and 77t(d)] and Exchange Act Section 21(d) [15 U.S.C. § 78u(d)].

13. The SEC seeks a final judgment: (a) permanently enjoining Defendants from violating the federal securities laws and rules this Complaint alleges they have violated; (b) permanently enjoining Defendants as specified in the Prayer for Relief below; (c) ordering Defendants and Mascola to disgorge all ill-gotten gains and/or unjust enrichment they received as a result of the violations alleged herein and to pay prejudgment interest thereon, pursuant to Exchange Act Sections 21(d)(5) and 21(d)(7) [15 U.S.C. §§ 78u(d)(5) and 78u(d)(7)]; (d) ordering Defendants to pay civil money penalties pursuant to Securities Act Section 20(d) [15 U.S.C. § 77t(d)] and, with respect to Defendants Brown, Grant, Maasen, and Noble, pursuant to Exchange Act Section 21(d)(3) [15 U.S.C. § 78u(d)(3)]; and (e) ordering any other and further relief the Court may deem just and proper.

JURISDICTION AND VENUE

14. This Court has jurisdiction over this action pursuant to Securities Act Section 22(a) [15 U.S.C. § 77v(a)] and Exchange Act Section 27 [15 U.S.C. § 78aa].

15. Defendants, directly and indirectly, have made use of the means or instrumentalities of interstate commerce or of the mails in connection with the transactions, acts, practices, and courses of business alleged herein.

16. Venue lies in this District under Securities Act Section 22(a) [15 U.S.C. § 77v(a)] and Exchange Act Section 27 [15 U.S.C. § 78aa]. Certain of the acts, practices, transactions, and courses

of business alleged in this Complaint occurred within this District. Defendants Brown, Grant, Maasen, and Noble solicited investors in this District. In addition, during the relevant time period, each Defendant maintained one or more accounts at a digital asset exchange and custodian company that is a New York trust company headquartered in the District. To obtain payment from BitConnect for the conduct alleged herein, each Defendant transacted in Bitcoin between wallet addresses controlled by BitConnect and wallet addresses associated with their own individual accounts at the New York digital asset exchange and custodian company.

DEFENDANTS

17. **Brown**, age 31, resides in Myrtle Beach, South Carolina. He was a regional promoter for BitConnect. Brown invoked his right against self-incrimination during portions of his testimony to the SEC in the investigation leading up to the filing of this case.

18. **Grant**, age 46, resides in Kissimmee, Florida. He was a regional promoter for BitConnect.

19. **Jeppesen**, age 37, resides in East Falmouth, Massachusetts. Jeppesen was a “Continental Promoter” for BitConnect, and, starting in late October 2017, BitConnect’s “Second United States National Promoter.”

20. **Maasen**, age 39, resides in Tulsa, Oklahoma. He was a regional promoter for BitConnect.

21. **Noble**, age 51, resides in Pacific Palisades, California. He was a regional promoter for BitConnect.

RELIEF DEFENDANT

22. **Laura Mascola (“Mascola”)**, age 33, resides in East Falmouth, Massachusetts. She became Jeppesen’s girlfriend before he started working with BitConnect in 2017 and is now Jeppesen’s fiancée.

RELATED ENTITY AND INDIVIDUALS

23. **BitConnect** is an unincorporated organization established in approximately 2016 by BitConnect's founder (the "BitConnect Founder"). Between July 2016 and September 2017, BitConnect registered several companies with Companies House in the United Kingdom: BitConnect Ltd., BitConnect International PLC, BitConnect Trading Ltd., and Bitcoin AMR Ltd. These U.K. entities are currently either defunct or dissolved.

24. **BitConnect Founder** is an Indian citizen and resident who founded, managed, and controlled BitConnect at all relevant times.

25. **United States National Promoter** is a California resident who served as BitConnect's national promoter in the United States from approximately August 2017 to January 2018. In that role, he was responsible for, among other things, communicating information and instructions from BitConnect to its regional promoters in the United States, including Defendants Brown, Grant, Maasen, and Noble.

STATUTORY AND LEGAL FRAMEWORK

26. Sections 5(a) and 5(c) of the Securities Act require that an issuer of securities, such as BitConnect, register offers and sales of those securities with the SEC when they offer and sell securities to the public, absent certain specified exemptions. Registration statements relating to an offering of securities thus provide public investors with material information about the issuer and the offering, including financial and managerial information, how the issuer will use offering proceeds, and the risks and trends that affect the enterprise and an investment in its securities.

27. The definition of a "security" under the Securities Act includes a wide range of investment vehicles, including "investment contracts." As the United States Supreme Court noted in *SEC v. W.J. Howey Co.*, Congress defined "security" broadly to embody a "flexible rather than a static principle, one that is capable of adaptation to meet the countless and variable schemes devised by

those who seek the use of the money of others on the promise of profits,” 328 U.S. 293, 299 (1946), such that “investment contracts” are instruments, schemes, or transactions through which a person invests money in a common enterprise and reasonably expects profits or returns derived from the entrepreneurial or managerial efforts of others. Courts have found that novel or unique investment vehicles constitute investment contracts, including interests in orange groves, animal breeding programs, railroads, mobile phones, and enterprises that exist only on the Internet.

28. Section 15(a)(1) of the Exchange Act [15 U.S.C. § 78o(a)(1)] requires securities brokers to register with the SEC or, if they are individuals, to be associated with a brokerage firm registered with the SEC.

29. This registration requirement ensures that, among other things, brokers have adequate supervision and training before soliciting funds from investors.

30. While courts have recognized a number of factors that render a person a securities broker, the hallmarks of being a broker include actively soliciting investments (rather than passively obtaining them) and receiving transaction-based compensation, often in the form of a percentage of the funds raised for investments.

BACKGROUND ON DIGITAL ASSETS AND DISTRIBUTED LEDGERS

31. The term “digital asset” or “digital token” generally refers to an asset issued and/or transferred using distributed ledger or blockchain technology, including assets sometimes referred to as “cryptocurrencies,” “virtual currencies,” digital “coins,” and digital “tokens.”

32. A blockchain or distributed ledger is a peer-to-peer database spread across a network of computers that records all transactions in theoretically unchangeable, digitally recorded data packages. The system relies on cryptographic techniques for secure recording of transactions.

33. Entities have offered and sold digital assets in fundraising events, often called initial coin offerings (“ICOs”), in exchange for consideration.

34. Digital tokens may be traded on digital asset trading platforms in exchange for other digital assets (such as Bitcoin) or currency (*i.e.*, legal tender issued by a country).

35. Some digital assets may be “native tokens” to a particular blockchain—meaning that they are represented on their own blockchain. Like other “digital tokens,” native tokens may also be sold and traded for consideration.

FACTS

I. Background on BitConnect

36. In approximately 2016, the BitConnect Founder created BitConnect. To do so, among other things, he created a native digital token called the “BitConnect Coin” (“BCC”), which was based on its own blockchain. He also registered domain names for three websites relating to BitConnect—<https://bitconnect.co>, <https://bitconnect.com>, and <https://bitconnectcoin.co>). The domains “bitconnect.co” and “bitconnect.com” (which had substantially similar content as it relates to this Complaint and are referred to herein as the “BitConnect Website”) provided information about BitConnect, BCC, the lending program, and an account login link. From approximately 2016 to 2018, BitConnect also maintained the “bitconnectcoin.co” website, which provided information concerning BCC.

37. BitConnect claimed on the BitConnect Website that BCC “is an open source, peer-to-peer, community driven decentralized cryptocurrency.” BitConnect also claimed on the “bitconnect.com” website that it was based on “decentralized blockchain transaction technology, so no centralized third party to trust [*sic*]. Transactions are performed directly between the users.”

38. From approximately November 2016 to January 2017, BitConnect conducted an ICO of BCC, during which BitConnect sold approximately 5 million BCC out of the maximum supply of 28 million BCC tokens created upon the launch of the blockchain for which the BCC tokens were the native token.

39. In January 2017, BitConnect launched a purported digital asset trading platform on the BitConnect Website (the “BitConnect Exchange”).

40. BitConnect stated that users could supposedly buy, sell, and trade BCC for Bitcoin and vice versa on the BitConnect Exchange by transacting directly with other BCC holders in peer-to-peer transactions with “no central organization involved.”

II. BitConnect Engaged in Unregistered Offers and Sales of Investments in the Lending Program.

41. Beginning in January 2017, BitConnect offered investors the opportunity to participate in a series of schemes or transactions that would give them the opportunity to earn daily interest payments by essentially tendering Bitcoin to BitConnect in return for “interest” payments (the “Lending Program”).

42. BitConnect offered investors, on the BitConnect Website, the opportunity to participate in the series of schemes or transactions that constituted the supposed Lending Program from approximately January 2017 to January 16, 2018.

43. BitConnect posted daily interest rates, historical returns, periodic updates and news releases about the Lending Program on the BitConnect Website.

44. From approximately August 2017 to January 2018, BitConnect also advertised the Lending Program on Coinmarketcap.com, a popular website in the digital asset space that tracks price, available supply, trade volume, and market capitalization of various digital tokens.

45. No registration statement has ever been filed with the SEC in connection with offers or sales of the Lending Program investments.

A. BitConnect Offered and Sold Investments into the Lending Program.

46. BitConnect claimed on the BitConnect Website that the interest returns investors would receive were generated by BitConnect’s proprietary “trading bot and volatility software.” BitConnect claimed (with emphasis in the original) that the volatility trading bot generated returns

by “tracking the **volatility of BTC** [Bitcoin] vs **USD** [the United States dollar (“USD”)] and the volatility of USD against **major world currencies**” (the “Trading Bot”).¹

47. The BitConnect Website claimed: “The interest rate on lending will be calculated by our Bitconnect price volatility software. The earning interest on bitcoin lending float over the time [sic] and is exclusively decided by the software and Bitconnect Trading Bot. Bitconnect will consider last closing interest rate of Bitconnect price volatility software for next day’s interest rate.”

48. BitConnect marketed its Lending Program to prospective investors as a safe, profitable investment: “Investing on BitConnect platform, as you will find, is a safe way to earn a high rate of return on your investment without having to undergo a significant amount of risk.”

49. The BitConnect Website featured an advertising banner promising profits of 40% interest per month “with no risk.”

50. The BitConnect Website included a chart showing historical returns of up to 2% daily, with no negative returns for any day.

51. The BitConnect Website also provided a “projected earnings calculator,” which purported to calculate projected future earnings on investors’ loans by using the Lending Program interest rates reported by BitConnect over the prior thirty days.

52. To participate in the Lending Program, an investor was first required to create an account on the BitConnect Website, and then to transfer Bitcoin to a Bitcoin blockchain address provided to the investor and controlled by BitConnect. The investor’s account page on the BitConnect Website would then reflect the investor’s Bitcoin investment in the investor’s Bitcoin wallet. The investor could then remit the Bitcoin to BitConnect to purportedly purchase BCC tokens on the BitConnect Exchange, and then “lend” the BCC tokens to BitConnect, which, in turn,

¹ A “trading bot” is computer software programmed to trade a digital asset based upon pre-determined parameters.

would purportedly invest these proceeds into the volatility of Bitcoin via the Trading Bot.

53. BitConnect pooled the investors' Bitcoin in a series of addresses (also known as a "digital wallet") on the Bitcoin blockchain, which BitConnect controlled.

54. The Lending Program required investors to "lock-up" (commit) their funds for investment to terms ranging between 120 days to 299 days.

55. BitConnect purported to "pay" daily interest to Lending Program investors in the form of credits denominated in USD appearing on each investor's individual account page on the BitConnect Website.

56. At the end of an investor's chosen lock-up period, BitConnect displayed a supposed credit to the investor's BitConnect account on the BitConnect Website. The interest payments and principal were represented as USD amounts, although BitConnect's Website did not allow investors to withdraw funds, including supposed investment returns, in USD. Instead, to cash out interest or principal on a Lending Program investment, an investor had to request that BitConnect convert the value displayed in USD back into BCC tokens, which the investor then had to purportedly sell for Bitcoin on the BitConnect Exchange and, then, finally, the investor would request that BitConnect send the Bitcoin to the investor's chosen address on the Bitcoin blockchain.

57. The BitConnect Website's FAQs represented that the profit or revenue BitConnect generated from its Trading Bot would be shared *pro rata* with the Lending Program investors, and the FAQs described the Lending Program as follows (with emphasis in the original):

1. When you invest in Bitconnect lending platform [*sic*], your investment directly goes to Bitconnect [T]rading [B]ot to generate profit.
2. Bitconnect volatility software calculate [*sic*] and **share** generated revenue to all members.
3. Members profit **deposited daily** [*sic*] on their lending wallet.
4. You can transfer it to BitConnect wallet at market price of BitConnect coin and exchange BitConnect coin to Bitcoin on exchange platform.

58. As the foregoing demonstrates, BitConnect marketed and promoted the Lending

Program as essentially guaranteeing investors profits based solely upon BitConnect’s (and its supposed Trading Bot’s) entrepreneurial and managerial efforts.

59. In fact, because BitConnect marketed the Trading Bot that formed the supposed centerpiece of the Lending Program as proprietary, investors had no control over the success or failure of their Lending Program investment and could take no steps that would determine the fate of their investments—all investors could do was decide whether, when, and how much to invest into the Lending Program, and whether to withdraw supposed returns after the lock-up periods required them to do so.

B. The Lending Program Included a “Referral Program.”

60. The series of schemes or transactions that comprised the Lending Program also included a “referral program.”

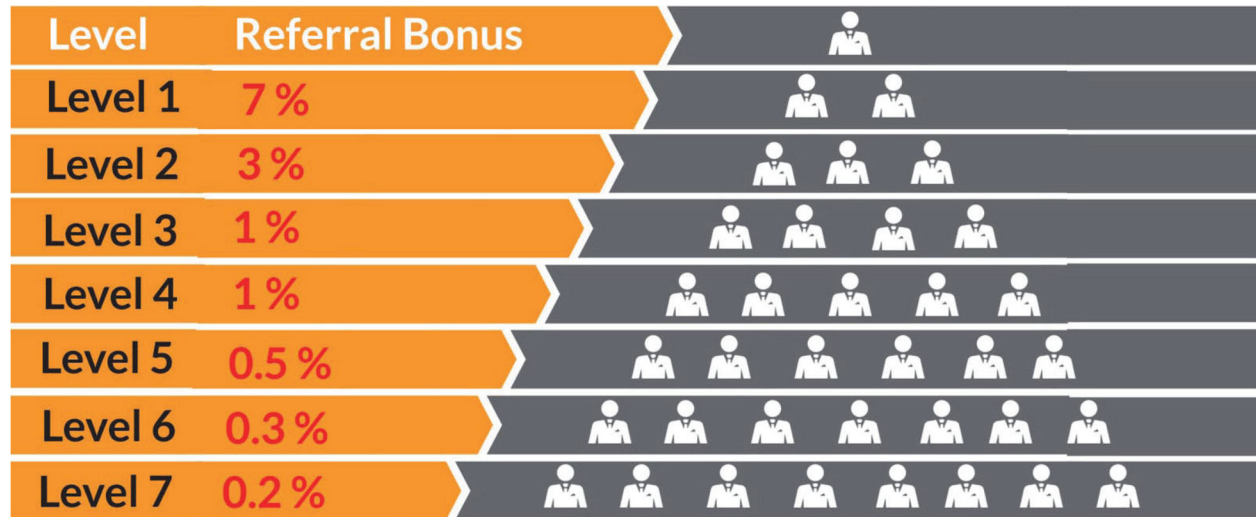
61. To sell more Lending Program investments, BitConnect’s Website offered investors the opportunity to earn additional returns, as bonuses or “commissions,” via a “referral program” that would offer payouts based on how many new investors the investor recruited into the Lending Program.

62. Initially, BitConnect offered a seven-tier structure of referral commissions, as described below, with the commission reflected on the investor’s BitConnect Website account for every new investment directly or indirectly procured by the original investor or “sponsor.”

63. For directly bringing in a new investor, the sponsor received 7% of the new investors’ (the “Level 1 investors”) investment value, denoted as a USD “credit” in the sponsor’s BitConnect Website account.

64. The sponsor also received additional, residual referral commissions for any new investments made by investors recruited by the Level 1 investors, or by investors recruited by those investors continuing downstream, also known as a promoter’s “downline.” Thus, in addition to the

7% commission for a Level 1 investor, BitConnect credited a sponsor 3%, 1%, 0.5%, 0.3%, and 0.2% commissions on the investment of each investor brought in through the sponsor’s downline, depending on the investment level (*i.e.*, 3% for investors procured by a promoter’s Level 1 investor, 1% for investors procured by the foregoing investors, and so on). This structure was set forth by BitConnect utilizing the figure shown in Graphic 1, below.



Graphic 1: BitConnect Referral Program Payouts

65. On approximately November 3, 2017, BitConnect changed the referral commission payouts, reducing the commission levels to three tiers. Sponsors then received a 5% commission for the investment values of their Level 1 investors, a 3% commission for the investment values of any new investors their Level 1 investors brought in, and a 2% commission for the investment values of any investors those new investors brought in.

66. Through the referral commissions and other means, BitConnect organized a global network of promoters, with a hierarchy of regional, national, and continental promoters, and recruited such promoters by, among other things, advertising on the BitConnect Website.

67. Though the referral program was an important component of BitConnect’s and its promoters’ solicitation of investors, an investor’s participation in the referral program was entirely optional—the investor could simply invest in the Lending Program and await the supposed returns

on her investment based solely upon BitConnect's efforts via the supposed Trading Bot.

III. BitConnect Recruited Promoters to Solicit Investments in the Lending Program.

68. BitConnect also used the referral program to attract more investors, as well as recruit those that would act more as promoters—earning more funds under the referral program than as investors, as Defendants Brown, Grant, Maasen and Noble eventually did.

69. A post on BitConnect's Website, entitled "Bitconnect promoters rules and regulation" and dated March 18, 2016, explained the role of BitConnect promoters:

Bitconnect promoters...are able to attract new members online and offline. Bitconnect promoters will teach other Bitconnect members...how to attract participants in social networks, how to make promotional pictures, how to create your own blogs and websites.... A Promoter has an active role in Bitconnect System. He is a person who is responsible to control and guide his team. His primary duty is to consult and register new participants....

A Promoter must be aware about all the activities and updates going on in BitConnect System. He should be well versed about how the system works, how to register new participants. He should know about the Current growth on Bitcoin lending and current referral commission, as well as, keep a daily watch on the official web-site Bitconnect.co for Updates.... All Promoters are required to execute any order given by the Bitconnect system without any undue delay.

70. As part of its promotional efforts to recruit both investors and promoters, BitConnect also sponsored in-person events promoting BitConnect and/or the Lending Program, during which BitConnect or BitConnect representatives promoted the Lending Program by displaying or gifting luxurious items to attendees.

71. These promotional events included: (1) an event in Edison, New Jersey in May 2017; (2) an expenses-paid trip for promoters in Bangkok, Thailand in July 2017 (the "Bangkok Event"); (3) BitConnect's first and only "Annual Ceremony" in Pattaya, Thailand (the "Pattaya Event") in October 2017; (4) the Blockchain Expo North America in Santa Clara, California in November 2017 (the "Blockchain Expo") and a series of events coinciding with the Blockchain Expo in and around Santa Clara, California in November and December 2017 (the "Santa Clara Events"); and (5) an

expenses-paid meeting for national promoters in Dubai in December 2017 (the “Dubai Event”).

72. Many BitConnect Lending Program investors and promoters attended these events.

73. The BitConnect Founder presided over the Bangkok Event, and appointed “national promoters” for several countries (including the United States National Promoter) and appointed Jeppesen as a “continental promoter,” as alleged in paragraph 190 below, at or immediately following the Bangkok Event.

74. At the Bangkok Event, the BitConnect Founder told the national promoters that BitConnect would pay “development funds” to be used by promoters to market BitConnect and for the national promoters’ own personal use, and that they would have discretion to allocate portions of their “development funds” to their regional promoters, *i.e.*, the promoters immediately beneath the national promoters in the promoter hierarchy or “downline.”

75. In approximately August 2017, BitConnect began paying its national promoters “development funds” commissions each week by crediting the national promoters’ BitConnect accounts with an amount denoted in USD.

76. BitConnect calculated each national promoter’s weekly “development funds” commissions as a certain percentage of the total volume of new loans made by investors in the national promoter’s downline during a given week.

77. The national promoters could share their “development funds” with the regional promoters in their downline and had discretion to determine the amount that each regional promoter would receive. The national promoters typically allocated the “development funds” by assigning a percentage to each regional promoter on the “Promoter” tab section of their dashboard on the BitConnect Website.

78. In approximately October 2017, the BitConnect Founder, with Jeppesen’s assistance in his role as “continental promoter,” developed “promoter rules” for national promoters and

regional promoters.

79. Among the rules for “Top Promoters” (national promoters) were the following:

- “If your Regional Promoters make Youtube [sic] videos, watch over their channel and make sure everything on there is appropriate”;
- “Provide weekly updates with Continental Promoter (i.e. events, overall numbers up or down, Issues, [sic] and so on)”;
- “Get in touch with all your regional [promoters] and guide them if they need any help”;
- “The development fund you are receiving is for bitconnect community development and marketing purpose. You can use some part of development fund for your personal use”; and
- “When you sell your development fund, make sure you are not selling all fund together. Sell small amount through out week [sic].”

80. Among the rules for regional promoters were the following:

- “Verify with your Top Promoter before you make Bitconnect information public”;
- “Be available to the community to answer questions. (Email, Skype, Youtube [sic])”;
- “Check in with your Top Promoter daily for news, updates, projects”; and
- “You will follow orders and work given by your top promoters.”

81. In October 2017, the BitConnect Founder organized the Pattaya Event, a black-tie affair recorded and publicly posted on YouTube, and advertised on the BitConnect Website as an opportunity for attending investors and promoters to “hear and learn from our top promoters as we award and recognise them for their success.”

82. At the Pattaya Event, teams of promoters took turns taking the stage to give inspirational speeches and testimonials about their success with BitConnect, and BitConnect gave awards of cash and luxury cars to recognize the performance of several top promoters.

83. In November 2017, Jeppesen arranged to have banners and signage bearing the BitConnect logo made and supervised the set-up and staffing of BitConnect's booth at the Blockchain Expo.

84. While manning the booth, Jeppesen gave interviews to Lending Program investors and prospective investors and answered questions about BitConnect.

85. The BitConnect Founder, the United States National Promoter, and Defendants appeared at the BitConnect booth during the Blockchain Expo, where they mingled with Lending Program investors and prospective investors.

86. While they were in Santa Clara, Brown, Grant, Maasen and Noble attended several BitConnect promotional events as part of the Santa Clara Events, including a yacht cruise, a wine tasting at a winery, and a catered happy hour in San Francisco.

87. In December 2017, BitConnect national promoters from around the world, including the United States National Promoter and Jeppesen (who at the time was the Second United States National Promoter), attended the Dubai Event, during which presenters gave slide presentations, speeches, and updates on the Lending Program and reviewed the promoter rules.

IV. Defendants Promoted Investments Into the BitConnect Lending Program Through Social Media and Other Outreach.

A. Grant Offered, Sold, and Promoted BitConnect Securities for Commissions.

88. Since approximately 1999, Grant has participated in affiliate marketing programs, meaning he has received fees from companies selling products or services when people click on his marketing links for those products or services.

89. In approximately April 2017, Grant first became involved with BitConnect after seeing a listing for it on Coinmarketcap.com.

90. Around the time he learned of BitConnect and created his own BitConnect account, he created and publicly posted the first of many videos discussing BitConnect and promoting and

touting investments into the Lending Program to viewers.

91. In approximately May or June 2017, Grant created and publicly posted a video titled “BitConnect full tutorial and \$100 loan.”

92. The video, which showed a live view of Grant’s own BitConnect account on the BitConnect Website as Grant narrated, walked the viewer through the mechanics of how to sign up for a BitConnect account, deposit Bitcoin through the BitConnect Website, and invest in the BitConnect Lending Program.

93. In the video, Grant discussed the Trading Bot on which the BitConnect Lending Program was purportedly based. Grant told prospective investors that, “if the price of Bitcoin goes up, the bot earns profit, and if it goes down, the bot earns profit, and the profit is paid out as an interest payment based on how much money you loaned to the bot.”

94. In the same video, Grant also showed and discussed an Internet calculator BitConnect provided (which appeared on Grant’s own BitConnect account page) and showed the calculator’s projection that an investment of \$10,010 in the BitConnect Lending Program would earn \$3,573 in 30 days.

95. In the YouTube description of his video, Grant provided his BitConnect referral link so that prospective BitConnect investors would click on the link to create a BitConnect account and invest in the BitConnect Lending Program.

96. As a result, Grant became the “sponsor” of any investor who used Grant’s referral link to invest, as described above in Section II.B.

97. Between the time he opened his BitConnect account and January 2018, Grant often publicly posted multiple promotional YouTube videos per day urging potential investors to invest in the BitConnect Lending Program, and he posted his referral link in the YouTube description of many of these videos.

98. In one video, Grant said: “I joined BitConnect in April 2017, and it’s been a few months and I’m – as you can see – doing quite well. I implore you, I encourage you, I invite you, to subscribe to my channel and also join BitConnect using my referral link. And then watch all the tutorials I have available to learn more about how you can earn Bitcoin using BitConnect.”

99. In another video Grant created and publicly posted on approximately November 20, 2017, Grant explained how a BitConnect Lending Program investment of \$448,000 could provide an investor with a return of \$40,000 in one week or \$172,000 in one month:

Now I have \$448,000 in loans.... Let’s consult the BOT, the BOT. So, \$448,000, this is our projected earnings calculator. Well, I will calculate how much money I’m going to earn in interest from this loan – from this amount of loans in the next 30 days ... [I]t says \$172,000 – I think that’s the highest I’ve seen it. Right? So, over the next 30 days, with this amount, based on the last 30 days’ interest rate – I will be earning \$172,000 for a month ... Let’s see ... Over the next 7 days, I’m earning 40Gs [\$40,000], baby.

100. Grant also created social media advertisements—which he targeted to users who showed an interest in Bitcoin or digital assets—that directed people to his YouTube videos promoting the BitConnect Lending Program.

101. Grant had at least 4,000 investors in his downline, many of whom viewed his BitConnect Lending Program videos.

102. Many investors, including many retail investors in the United States, invested in the BitConnect Lending Program through Grant’s referral link.

103. From approximately April through November 2017, Grant received 7% of the amount investors invested in the BitConnect Lending Program through his referral link as “referral commissions.”

104. In approximately August 2017, Grant became a “regional promoter” under the United States National Promoter.

105. In that role, Grant became entitled to earn “development funds,” in addition to his

“referral commissions.”

106. Each week, starting shortly after becoming a regional promoter and continuing until approximately January 2018, Grant received these “development funds,” which ranged from 0.5% to 0.7% of all new investments in the BitConnect Lending Program made from individuals in his downline over the previous week.

107. Starting in November 2017 and continuing through January 2018, BitConnect reduced Grant’s referral commissions to 5% of the funds investors invested in the BitConnect Lending Program through his referral link, as described above in Section II.B.

108. In late November 2017 and early December 2017, to promote BitConnect and the BitConnect Lending Program, Grant attended the Blockchain Expo and the Santa Clara Events, described in Section III, including a wine tasting—where Grant received a Rolex watch in his role as a BitConnect regional promoter—and a yacht cruise.

109. During these events, Grant appeared in videos, later publicly posted on the Internet, that encouraged people to invest in the BitConnect Lending Program.

110. In December 2017, Grant created a video that he posted on Instagram.

111. In that video, Grant again encouraged investment in the Lending Program: “There’s something worth a thousand dollars in your [expletive] realm, sell that [expletive] and put it in BitConnect. It’s just that simple. That is financial advice. Take it from me, I’m a financial advisor.”

112. From April 2017 through January 2018, Grant raised many millions of dollars for BitConnect through his sales of investments in the BitConnect Lending Program to investors, based on the sales in his downline.

113. During that same period, Grant earned at least \$1,356,859 from BitConnect referral commissions and “development funds.”

114. Grant never received a fixed salary, hourly wage, or other compensation from

BitConnect that was not tied to the amount of funds he raised from investors for the BitConnect Lending Program.

115. Grant conducted most or all of his BitConnect Lending Program promotional activities while in the United States.

116. Grant has never been associated with any broker-dealer firm or registered with the SEC himself as a broker-dealer.

B. Brown Offered, Sold, and Promoted BitConnect Securities for Commissions.

117. In approximately early April 2017, after seeing a listing on Coinmarketcap.com and watching a video that Grant had publicly posted, Brown became involved with BitConnect.

118. On approximately June 2, 2017, Brown created and publicly posted on YouTube a video titled “BITCONNECT FULL TUTORIAL.”

119. The video, which showed a live view of Brown’s BitConnect account as he narrated, walked the viewer through the mechanics of how to sign up for a BitConnect account, deposit Bitcoin through the BitConnect Website, and invest in the BitConnect Lending Program.

120. In the video, Brown discussed the purported Trading Bot on which the BitConnect Lending Program was purportedly based and told prospective investors that “the more swings Bitcoin has, the more interest we get paid out, every day. So, the first thing you need to do is sign up. Use the link in the description.”

121. Later in the video, Brown said, “If you use my link, I will show you how I am earning random payouts of \$300. Use my link, put out a loan, add me on Facebook.”

122. In the same video, Brown also showed and discussed the internet calculator provided by BitConnect on his BitConnect account page, which projected that an investment of \$10,000 in the BitConnect Lending Program would earn approximately \$29,000 in 239 days.

123. Brown concluded by saying: “[I]f you have any questions, you can easily sign up with

my link, add me on Facebook, and I would be glad to answer your questions.”

124. The video contained Brown’s referral link.

125. As a result, Brown became the “sponsor” of any investor who used Brown’s referral link to invest, as described above in Section II.B.

126. From June 2017 to January 2018, Brown was one of the most prolific BitConnect promoters and often made multiple promotional videos per day soliciting and encouraging investors to invest in the Lending Program.

127. In his videos, Brown often gave viewers suggestions on how to maximize their profits from the Lending Program, including by reinvesting their profits.

128. For instance, in a video entitled “BEST BITCONNECT REINVESTING STRATEGY! HOW TO SETUP BITCONNECT WALLET AND STAKE” that Brown created and publicly posted on approximately October 19, 2017, Brown said: “What I recommend doing, if you’re trying to grow your, your lending, your total investment, I would say reinvest half of [your daily interest] and the other half, put in BitConnect coins.”

129. From approximately April through November 2017, Brown received 7% of the amount Level 1 investors invested in the BitConnect Lending Program through his referral link as “referral commissions.”

130. In addition to posting his videos, Brown promoted and touted investments in the BitConnect Lending Program using targeted Internet ads on Facebook and Instagram that linked to his videos promoting the BitConnect Lending Program.

131. Brown also created a Facebook group called “BitConnect Focus” to further promote the BitConnect Lending Program.

132. In some of his promotional videos, Brown indicated that he would add BitConnect investors to his Facebook group if they used his referral link.

133. In approximately September or October 2017, Brown became a “regional promoter” under the United States National Promoter, entitling him to earn additional “development funds.”

134. Each week, starting shortly after becoming a regional promoter and continuing until approximately January 2018, Brown received these “development funds,” which ranged from 0.5% to 0.7% of all new investments in the BitConnect Lending Program made from investors in his downline over the previous week.

135. At the Pattaya Event, described in Section III above, BitConnect recognized Brown with a “Top Affiliate” reward and awarded him \$10,000 worth of BCC tokens.

136. Starting in November 2017 and continuing through January 2018, BitConnect reduced Brown’s referral commissions to 5% of the funds investors invested in the BitConnect Lending Program through his referral link, as described above in Section II.B.

137. In a video posted online in approximately October-November 2017, Brown invited investors to register for the Santa Clara Events described in Section III above, where they would meet with him in person as long as they had invested \$1,000 into the Lending Program:

So first off, if you’re in Bitconnect and you have \$1,000 in loans, ... we’re going to be on a yacht party on the 28th. The 29th we’re going to a winery to taste some wine. On the 30th, we’re going to have – go to a ... party with Bits Bots and Beer ... this is where like all of the Silicon Valley people, you know, hang out ... The yacht is what I’m very excited for. I’m going to be there on the 28th, so if you want to meet me and you have \$1,000 in loans, you just have to go to the other link in the description, which is the Bit Bot Eventbrite event where you register and do your RSVP. And as long as you have \$1,000 in loans, you can get in.

138. In late November 2017 and early December 2017, Brown attended the Blockchain Expo and the Santa Clara Events described in Section III, to promote BitConnect and the BitConnect Lending Program, including a wine tasting—where Brown received a Rolex watch in his role as a BitConnect regional promoter—and a yacht cruise.

139. During these events, Brown appeared in videos, later publicly posted on the Internet,

that encouraged people to invest in the BitConnect Lending Program.

140. By January 2018, Brown had at least 13,000 investors in his downline, including many United States retail investors who had viewed his videos and used his referral link to invest in the BitConnect Lending Program.

141. From April 2017 through January 2018, Brown raised many millions of dollars for BitConnect through his sales of investments in the BitConnect Lending Program to investors, based on the sales in his downline.

142. During that same period, Brown made at least \$484,108 from BitConnect referral commissions and “development funds.”

143. Brown never received a fixed salary, hourly wage, or other compensation from BitConnect that was not tied to the amount of funds he raised from investors for the BitConnect Lending Program.

144. Brown conducted most or all of his BitConnect Lending Program promotional activities while in the United States.

145. Brown has never been associated with any broker-dealer firm or registered with the SEC himself as a broker-dealer.

C. Maasen Offered, Sold, and Promoted BitConnect Securities for Commissions.

146. Before and during his involvement with BitConnect, Maasen participated in other digital token investment programs.

147. In approximately May 2017, Maasen first became involved with BitConnect.

148. After signing up for a BitConnect account, Maasen started making videos encouraging viewers to invest in the BitConnect Lending Program.

149. For example, in one video Maasen created and publicly posted on approximately July 1, 2017, he told prospective investors how they could profit from an investment in the

BitConnect Lending Program:

If you put in \$100, within two years you'll have the ability to be pulling out about \$587 a day, and that's assuming an average of a 0.9 interest rate. If you reinvest every single time you earn that extra \$10, over time you earn more than \$10 a day, you earn closer to \$20, and you can start making your daily reinvestment of 20, then 30, 40, 50, on up the ladder. Eventually, though, at the end of two years, as you reinvest all this money, you're going to have about \$65,000 in there. 0.9 percent of that is about \$587 a day.

150. In another video, which Maasen publicly posted on approximately September 18, 2017, he again encouraged viewers to invest in the BitConnect Lending Program by pointing to the investment's promised profitability:

It is September 18th, 2017. I'm on day 125 of my Bitconnect journey. Things are going awesome. It's earning a lot of money, every single day... If you're not invested in Bitconnect, you're missing out on a lot of money. I know it's been life-changing for many, many, many people. If you want to know more about it, follow me on my journey. I've got videos from day one all the way up until now, and you can watch all of my – I have an awesome spreadsheet that just helps you forecast and see what this platform is able to do for you... [A]s we all know, Bitcoin goes up and down...but this is a lot of volatility, and that's just what Bitcoin does. And we need it to do that. And with Bitconnect, it's trading off the volatility, so the more volatility we have, the higher interest rates we get paid.

151. To share his BitConnect promotional material (among other things) with prospective investors, Maasen created a website called BCC22.co and made the website accessible to people who had invested in the BitConnect Lending Program and were in his downline, as well as a WhatsApp chat group and a Telegram chat group to promote the Lending Program.

152. In addition, Maasen promoted the BitConnect Lending Program using targeted Internet ads, including AdWords and YouTube ads.

153. By January 2018, Maasen had approximately 2,000 investors in his downline.

154. From approximately May through November 2017, Maasen received 7% of the amount investors invested in the BitConnect Lending Program through his referral link as "referral commissions."

155. In October 2017, Maasen became a “regional promoter” under the United States National Promoter, entitling him to earn additional “development funds.”

156. Each week, starting shortly after becoming a regional promoter and continuing until approximately January 2018, Maasen received these “development funds,” which was a percentage of all new investments in the BitConnect Lending Program made from individuals in his downline over the previous week.

157. Starting in November 2017 and continuing through January 2018, BitConnect reduced Maasen’s referral commissions to 5% of the funds investors invested in the BitConnect Lending Program through his referral link, as described above in Section II.B.

158. At the Pattaya Event, described in Section III above, BitConnect recognized Maasen with a “Top YouTuber” reward of \$10,000.

159. In late November 2017 and early December 2017, Maasen attended the Blockchain Expo and the Santa Clara Events described in Section III, to promote BitConnect and the BitConnect Lending Program.

160. Between May 2017 and January 2018, Maasen raised approximately \$20 million for BitConnect through his sales of investments in the BitConnect Lending Program.

161. During that same period, Maasen made at least \$477,408 from BitConnect referral commissions and “development funds.”

162. Maasen never received a fixed salary, hourly wage, or other compensation from BitConnect that was not tied to the amount of funds he raised from investors for the BitConnect Lending Program.

163. Maasen conducted most or all of his BitConnect Lending Program promotional activities while in the United States.

164. Maasen has never been associated with any broker-dealer firm or registered with the

SEC himself as a broker-dealer.

D. Noble Offered, Sold, and Promoted BitConnect Securities for Commissions.

165. In 1999, Noble was briefly associated with an SEC-registered broker-dealer, but did not obtain a broker's license.

166. In approximately June 2017, Noble learned of BitConnect from the individual who later became the United States National Promoter, whom he had known since 2003.

167. Noble understood that he could make money from BitConnect by posting promotional YouTube videos online and therefore created a BitConnect account.

168. In approximately June 2017, Noble began promoting investments in the Lending Program in videos that he posted on his "Michael Crypto" YouTube channel.

169. On Noble's website, www.michaelcrypto.com, Noble provided a link to his YouTube channel.

170. Noble included his BitConnect referral link in his YouTube channel page.

171. Noble used his "Michael Crypto" YouTube channel to post at least 18 videos in which he promoted BitConnect and the BitConnect Lending Program.

172. Noble repeatedly urged YouTube viewers to invest in the Lending Program.

173. For example, in a video Noble posted on approximately August 12, 2017, entitled "YES! Goldman Sachs says invest," Noble urged viewers: "This is a fantastic business. If you're not signed up for BitConnect—if you're a newbie—do so. Get in. Get on board now. Go BitConnect!"

174. Similarly, in a video Noble posted on approximately August 20, 2017, "Michael Crypto Report from Death Valley California," Noble urged viewers: "Register for BitConnect. Just click on this link right here. I'll be your sponsor. I'll help you out through thick and thin."

175. In yet another example, Noble posted a video on his YouTube channel on approximately September 22, 2017 relating to the Lending Program, entitled "100K How much do

you need to earn monthly to really be secure,” in which he told viewers:

Get into BitConnect!...Listen, a lot of people have signed up underneath BitConnect but they aren't signed up under anybody. So if you're watching...go to 'Profile,'...and you can edit that, so edit it and my name's michaelcrypto – all lower case – put it together and send me a screen shot and we'll go from there and we'll work together. I will help you.... This is a great platform right here – trading volatility.

176. From approximately June to August 2017, Noble also promoted the Lending Program in several webinars co-hosted with the United States National Promoter on the “Demio” platform, a webinar hosting platform.

177. Noble earned “referral commissions” for those in his downline, as described above in Section II.B, based on a percentage of new investments made by individuals in his downline.

178. In approximately August-September 2017, Noble became a “regional promoter” under the United States National Promoter, entitling him to earn additional commissions in the form of “development funds.”

179. Each week, starting shortly after becoming a regional promoter and continuing until approximately January 2018, Noble received these “development funds,” which ranged from 1% to 7% of all new investments in the BitConnect Lending Program made from individuals in his downline over the previous week. Noble received “development funds” commissions of 7% until approximately December 2017, when the United States National Promoter reduced his “development funds” commissions to between 1% and 2%.

180. On approximately November 9, 2017, Noble posted a YouTube video again encouraging viewers to invest in the Lending Program while displaying the BitConnect Website:

Maybe [you're] not sure what to invest [your Bitcoin] in.... BitConnect is the answer. It's a lending platform where you purchase their BCC coin and lend it back into the platform. You always get your initial investment back and you can start for as little as \$110...possibly you earn something every day, depending on your investment. Autobot trading: BitConnect uses AI—artificial intelligence—to buy and sell Bitcoin on twenty different exchanges or more, every second of every day. Bitcoin's a different price on every exchange

– not by much, but different enough to buy low and sell high and when you have a robotic software doing it and not complaining about taking breaks or calling in sick, profits roll in. So go right now to www.registerbitconnect.com, sign up for free and get going. You’ll be glad you did, just like the millions of people earning and being set free with freedom, adventure and Bitcoin every day, just like you and me.

181. Noble attended the Pattaya Event, where he appeared onstage and BitConnect awarded him a “Top BitConnect Supporter Reward,” in the form of a \$50,000 credit to his BitConnect account.

182. On approximately October 21, 2017, Noble posted a video urging his viewers to sign up for and attend the Santa Clara Events, described in Section III:

If you’re going to Santa Clara—and you should go—for what? The reason I’m telling you right now: you should go wherever you are in the world to Santa Clara for the blockchain expo to meet me.... Craig [Grant], Trevon [Brown],...you name it—everyone’s going to be there. It’s going to be a lot of fun.... Reserve your spot at the BitConnect meetup in Santa Clara...you get a free yacht cruise. This is first class everybody. This is not some joke, okay?...This is first class. Five star. Look nice. That’s what this is. We don’t go any other way. You meet people, it’s professional, it’s amazing.

183. In late November 2017 and early December 2017, Noble attended the Blockchain Expo and some of the Santa Clara Events described in Section III, to promote BitConnect and the Lending Program, including a wine tasting and a yacht cruise. After the wine tasting event, the United States National Promoter gave Noble a Rolex watch in his role as a regional promoter.

184. By approximately the end of 2017, Noble’s Michael Crypto YouTube channel had about 28,000 subscribers.

185. Noble also created social media advertisements on Instagram and through Google AdWords—which he targeted to social media users who showed an interest in Bitcoin or digital assets—that directed people to his videos promoting the Lending Program. Noble used these social media advertisements to get new investors to invest in the Lending Program.

186. From June 2017 to January 2018, Noble had approximately 1,000 investors in his

downline, including many United States investors who had viewed his videos and used his referral link to invest in the BitConnect Lending Program.

187. During that same period, Noble obtained approximately \$731,281 from BitConnect referral commissions and “development funds.”

188. Noble never received a fixed salary, hourly wage, or other compensation from BitConnect that was not tied to the amount of funds he raised from investors for the BitConnect Lending Program.

189. From at least 2017 through 2018, Noble was not associated with any broker-dealer firm or registered with the SEC himself as a broker-dealer.

E. Jeppesen Aided and Abetted BitConnect in its Offer and Sale of Lending Program Securities Without a Registration Statement.

190. In August 2017, Jeppesen attended the Bangkok Event, where the BitConnect Founder named Jeppesen a “continental promoter” and gave him the responsibility of serving as a liaison between BitConnect and the national promoters.

191. Jeppesen then began assisting BitConnect with its own promotion of the BitConnect Lending Program.

192. In his continental promoter role, BitConnect expected Jeppesen to run BitConnect’s participation in certain blockchain expositions and other promotional events.

193. For example, BitConnect sent Jeppesen to attend the Blockchain & Bitcoin Conference in Kiev, Ukraine in October 2017.

194. Similarly, Jeppesen assisted the BitConnect Founder in organizing the Pattaya Event in October 2017.

195. Among other things, Jeppesen arranged for contractors to prepare videos that were displayed in the lobby of the convention center during the event.

196. Before or around the time of the Pattaya Event, Jeppesen reviewed and provided

feedback to the BitConnect Founder on a document summarizing BitConnect's promoter rules, as described in Section III.

197. At the BitConnect awards ceremony during the Pattaya Event, Jeppesen represented BitConnect and appeared on stage several times.

198. Jeppesen took the stage during the Pattaya Event, introduced himself to the audience, explained why he became a BitConnect promoter, and introduced BitConnect's supposed anticipated debit card for digital tokens, the BCC Pay card.

199. At the ceremony, BitConnect awarded Jeppesen a "Top BitConnect Supporter Reward," in the form of a \$50,000 credit to his BitConnect account.

200. Shortly after the event, BitConnect changed Jeppesen's title to "Second United States National Promoter."

201. At that time, BitConnect moved several regional promoters under Jeppesen, and he assisted them in raising funds for the BitConnect Lending Program.

202. That allowed Jeppesen to earn "development funds" on loans made through the regional promoters' referral links, since they were now part of his downline.

203. Jeppesen also received "referral commissions" for those in his downline, as described in Section II.B, based on a percentage of new investments made by such investors.

204. In November 2017, Jeppesen recruited individuals to help him staff BitConnect's booth at the Blockchain Expo.

205. In that role, while staffing the BitConnect booth, Jeppesen wore a shirt with the BitConnect logo and disseminated promotional materials including a BitConnect roadmap that discussed key milestones in 2017. In a section titled: "Why choose Bitconnect?" the roadmap stated:

As of October 6 2017, BitConnect has become one of the top 15 cryptocurrencies and reached a market cap of over 2 billion dollars and a single coin price of nearly \$300. The projected growth of this company should solidify BCC as one of the top 5 cryptocurrencies in the world moving into

2018 and beyond.

206. Jeppesen also gave recorded interviews while staffing the BitConnect booth at the Blockchain Expo.

207. In one such interview, the interviewer introduced Jeppesen as “a big time promoter,” to which Jeppesen responded, “Well, I try.” When asked why he was promoting BitConnect so much, Jeppesen responded:

Because I believe in it.... I was an investor first; now I'm a promoter.... My goal as a promoter for the U.S. is spreading education. So it's bringing on regionals that can do offline seminars that can—not teach BitConnect solely—but teach cryptocurrency, teach Bitcoin, teach blockchain...so people can understand what they're getting themselves into and not get taken advantage of.

208. On approximately December 2, 2017, Jeppesen represented BitConnect at a promotional event in Orlando, Florida. Several of Jeppesen's regional promoters organized the event for investors and prospective investors of BitConnect. Jeppesen provided the event organizers with the BitConnect banners and signs used at the Blockchain Expo.

209. Jeppesen promoted the Lending Program with the understanding that BitConnect represented that investors could earn daily interest payments by lending their BCC to BitConnect in return for interest payments generated from its Trading Bot.

210. Between approximately August 2017 and January 2018, Jeppesen helped BitConnect raise at least hundreds of millions of dollars by generating interest in the BitConnect Lending Program through his conduct alleged above.

211. Between August 2017 and January 2018, for his roles as Continental Promoter and Second United States National Promoter, Jeppesen received \$2,688,502 from BitConnect.

212. Between August 2017 and February 2018, after Jeppesen had received much of the \$2,688,502 from BitConnect in return for his efforts to help BitConnect sell investments in the Lending Program, Jeppesen transferred \$506,011 of his proceeds to Mascola through bank transfers

and through Bitcoin transferred from Jeppesen's digital asset trading account to Mascola's.

213. Jeppesen conducted at least some of his BitConnect Lending Program promotional activities while in the United States.

F. Mascola Received Unlawful Proceeds Without Providing Value in Return.

214. Prior to July 2017, Mascola was Jeppesen's girlfriend. She is now his fiancée.

215. Between August 2017 and February 2018, Mascola received transfers of Bitcoin and cash totaling approximately \$506,011 from Jeppesen.

216. Mascola did not provide anything of value to Jeppesen in exchange for her receipt of \$506,011 and has no legitimate claim to the funds.

V. BitConnect Closed the Lending Program.

217. On January 4, 2018, the Texas State Securities Board issued a cease-and-desist order to BitConnect.

218. In response, Brown created a video entitled "TEXAS BITCONNECT CEASE AND DESIST." Brown said in the video: "If you are in Texas and you got a BitConnect account, you need to download a VPN [an encrypted virtual private network]...and keep using BitConnect. Don't let Texas, don't let [the] government shut you down."

219. On January 9, 2018, the North Carolina Secretary of State Securities Division followed suit and issued its own cease-and-desist order to BitConnect.

220. In January 2018, BitConnect asked Jeppesen to hire a United States lawyer who specialized in securities law, given the cease-and-desist orders.

221. BitConnect sent Jeppesen 200 Bitcoin (then worth approximately \$2.87 million) to be used for a legal retainer. Jeppesen kept ten Bitcoin from that amount, although BitConnect did not ultimately retain a United States lawyer.

222. On January 16, 2018, BitConnect announced that it was closing the Lending

Program and the supposed BitConnect Exchange immediately (with emphasis in the original):

We are closing the lending operation immediately with the release of all outstanding loans. With release of your entire **active loan** in the lending wallet **we are transferring all your lending wallet balance to your Bitconnect wallet balance at 363.62 USD**. This rate has been calculated based on last 15 days averages of the closing price registered on coinmarketcap.com.

223. On January 16, 2018, the price of BCC lost 92% of its value.

224. During the following week, many investors seeking to withdraw their funds were unable to access the BitConnect Website.

225. Once investors were able to access their BitConnect accounts, they found they could do nothing with the BCC tokens that they believed they owned based upon BitConnect's representations, and investors lost all or nearly all of their funds invested in the Lending Program.

FIRST CLAIM FOR RELIEF
Violations of Securities Act Sections 5(a) and (c)
(Defendants Brown, Grant, Maasen, and Noble)

226. The SEC re-alleges and incorporates by reference here the allegations in paragraphs 1–7, 10–18, 20–21, 23–189, and 217–225.

227. Brown, Grant, Maasen, and Noble, directly or indirectly, singly or in concert, (i) made use of means or instruments of transportation or communication in interstate commerce or of the mails to sell, through the use or medium of a prospectus or otherwise, securities as to which no registration statement was in effect; (ii) for the purpose of sale or for delivery after sale, carried or caused to be carried through the mails or in interstate commerce, by any means or instruments of transportation, securities as to which no registration statement was in effect; or (iii) made use of means or instruments of transportation or communication in interstate commerce or of the mails to offer to sell or offer to buy, through the use or medium of a prospectus or otherwise, securities as to which no registration statement had been filed.

228. As alleged above, Brown, Grant, Maasen, and Noble each offered and sold

investments into the Lending Program by making and posting online promotional videos touting and encouraging investors to invest in the Lending Program, by touting investments into the Lending Program at the various promotional events BitConnect organized, and by recruiting other promoters to tout the Lending Program.

229. As alleged above, BitConnect offered and sold the Lending Program as a series of transactions or schemes, and therefore, as securities, because it promoted the Lending Program as an investment of money into a common enterprise with other investors and with BitConnect and its promoters, with the reasonable expectation of profit from the efforts of BitConnect.

230. As alleged above, BitConnect's offers and sales of investments into the series of transactions or schemes that constituted the Lending Program were not registered with the SEC in any capacity, nor was a registration statement filed or in effect as to BitConnect's offers and sales.

231. By reason of the foregoing, Brown, Grant, Maasen, and Noble violated and, unless enjoined, will again violate, Securities Act Sections 5(a) and 5(c) [15 U.S.C. §§ 77e(a) and 77e(c)].

SECOND CLAIM FOR RELIEF
Violations of Exchange Act Section 15(a)
(Defendants Brown, Grant, Maasen, and Noble)

232. The SEC re-alleges and incorporates by reference here the allegations in paragraphs 1–7, 10–18, 20–21, 23–189, and 217–225.

233. Brown, Grant, Maasen, and Noble, as natural persons not associated with a broker or dealer which is a person other than a natural person, each made use of the mails or any means or instrumentality of interstate commerce to effect transactions in, or to induce or attempt to induce the purchase or sale of, any security without being registered with the SEC as a broker-dealer.

234. As alleged above, Brown, Grant, Maasen, and Noble each offered and sold investments into the Lending Program by making and posting online promotional videos touting and encouraging investors to invest in the Lending Program, by touting investments into the

Lending Program at the various promotional events BitConnect organized, and by recruiting other promoters to tout the Lending Program.

235. As alleged above, Brown, Grant, Maasen, and Noble each received transaction-based compensation from BitConnect for each investment into the Lending Program that Brown, Grant, Maasen and Noble individually procured, as well as for each investment into the Lending Program procured by investors in Brown, Grant, Maasen, and Noble's respective "downlines" as described above.

236. As alleged above, Brown, Grant, Maasen, and Noble were not associated with any broker-dealer firm when they offered, sold, and received transaction-based compensation for investments into the Lending Program.

237. By reason of the foregoing, Brown, Grant, Maasen, and Noble violated, and, unless enjoined, will again violate Exchange Act Section 15(a) [15 U.S.C. § 78o(a)].

THIRD CLAIM FOR RELIEF
Aiding and Abetting Violations of Securities Act Sections 5(a) and (c)
(Defendant Jeppesen)

238. The SEC re-alleges and incorporates by reference here the allegations in paragraphs 1–6, 8–16, 23–87, and 190–225.

239. As alleged above, BitConnect violated Securities Act Sections 5(a) and 5(c) [15 U.S.C. §§ 77e(a) and 77e(c)] because directly or indirectly, singly or in concert, BitConnect (i) made use of means or instruments of transportation or communication in interstate commerce or of the mails to sell, through the use or medium of a prospectus or otherwise, securities as to which no registration statement was in effect; (ii) for the purpose of sale or for delivery after sale, carried or caused to be carried through the mails or in interstate commerce, by any means or instruments of transportation, securities as to which no registration statement was in effect; or (iii) made use of means or instruments of transportation or communication in interstate commerce or of the mails to offer to

sell or offer to buy, through the use or medium of a prospectus or otherwise, securities as to which no registration statement had been filed.

240. As alleged above, Jeppesen knew or recklessly disregarded that BitConnect had promoted the Lending Program to investors as a series of transactions or schemes that constituted an investment contract, in part because BitConnect represented that investors could earn daily interest payments by lending their BCC to BitConnect in return for interest payments generated from its Trading Bot.

241. As alleged above, Jeppesen provided substantial assistance to BitConnect's violation of Securities Act Sections 5(a) and 5(c) [15 U.S.C. §§ 77e(a) and 77e(c)] by, among other things, promoting the Lending Program, organizing events to promote the Lending Program, procuring videos that would promote the Lending Program, recruiting others to promote the Lending Program, and reviewing documents that would help BitConnect promote the Lending Program.

242. Jeppesen knowingly or recklessly provided substantial assistance to BitConnect with respect to its violations of Securities Act Sections 5(a) and 5(c) [15 U.S.C. §§ 77e(a) and 77e(c)].

243. By reason of the foregoing, Jeppesen is liable pursuant to Securities Act Section 15(b) [15 U.S.C. § 77o(b)] for aiding and abetting BitConnect's violations of Securities Act Sections 5(a) and 5(c) [15 U.S.C. §§ 77e(a) and 77e(c)] and, unless enjoined, Jeppesen will violate these provisions.

FOURTH CLAIM FOR RELIEF
Unjust Enrichment
(Relief Defendant Mascola)

244. The SEC re-alleges and incorporates by reference here the allegations in paragraphs 1–6, 8–16, 23–87, and 190–225.

245. Mascola received \$506,011 in ill-gotten gains from Jeppesen, and Mascola has no legitimate claim to these ill-gotten gains.

246. Mascola obtained \$506,011 under circumstances in which it is not just, equitable, or conscionable for her to retain the funds.

247. Mascola has therefore been unjustly enriched in the amount of \$506,011.

PRAYER FOR RELIEF

WHEREFORE, the SEC respectfully requests that the Court enter a Final Judgment:

I.

Permanently enjoining Defendants and their agents, servants, employees and attorneys and all persons in active concert or participation with any of them from violating, directly or indirectly, Securities Act Sections 5(a) and (c) [15 U.S.C. §§ 77e(a) and 77e(c)];

II.

Permanently enjoining Brown, Grant, Maasen, and Noble and their agents, servants, employees and attorneys and all persons in active concert or participation with any of them from violating, directly or indirectly, Exchange Act Section 15(a) [15 U.S.C. §78o(a)];

III.

Ordering Defendants and Mascola to disgorge all ill-gotten gains and/or unjust enrichment they received directly or indirectly, with pre-judgment interest thereon, as a result of the alleged violations, pursuant to Exchange Act Sections 21(d)(5) and 21(d)(7) [15 U.S.C. §§ 78u(d)(5) and 78u(d)(7)];

IV.

Ordering Defendants to pay civil monetary penalties under Securities Act Section 20(d) [15 U.S.C. § 77t(d)] and, with respect to Brown, Grant, Maasen, and Noble, under Exchange Act Section 21(d)(3) [15 U.S.C. § 78u(d)(3)];

V.

Permanently prohibiting Defendants from (a) offering, operating, or participating in any marketing or sales program in which the participant is compensated or promised compensation solely or primarily (1) for inducing another person to become a participant in the program, or (2) if such induced person induces another to become a participant in the program; and (b) participating, directly or indirectly, in any offering of digital asset securities; *provided, however*, that such injunction shall not prevent any of them from purchasing or selling digital asset securities for their own personal accounts, pursuant to Exchange Act Section 21(d)(5) [15 U.S.C. § 78u(d)(5)]; and

VI.

Granting any other and further relief this Court may deem just and proper for the protection of investors.

JURY DEMAND

The SEC demands a trial by jury.

Dated: New York, New York
May 28, 2021

/s/ Richard R. Best

RICHARD R. BEST
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