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UNITED STATES DISTRICT COURT FOR THE DISTRICT OF IDAHO

David Powell, an individual; and **Merav Knafo**, an individual,

Plaintiffs,

vs.

Crypto Traders Management, LLC, a dissolved Idaho limited liability company;
Shawn Cutting, an individual; and **Courtney Lata**, an individual,

Defendants.

Case No. _____

Verified Complaint

Jury Trial Demanded

Plaintiffs, by and through their attorneys, MOONEY WIELAND PLLC, for their Verified Complaint against Defendants, allege, on knowledge as to their own actions, and otherwise upon information and belief, as follows:

PRELIMINARY STATEMENT

1. This is a suit by investors in a cryptocurrency investment fund against the fund and its managers for defrauding investors. Defendants conned Plaintiffs into depositing money

by assuring them their investments were growing in value and could be withdrawn at any time when in fact investments were simply being stolen or lost.

2. Plaintiff David Powell seeks \$609,724.27 in damages, plus pre-judgment interest accruing at \$87.59 per diem as of 7/10/20, and post-judgment interest accruing at the statutory rate.

3. Plaintiff Merav Knafo seeks \$122,797.10 in damages, plus pre-judgment interest accruing at \$17.64 per diem as of 7/10/20, and post-judgment interest accruing at the statutory rate.

JURISDICTION

4. This Court has jurisdiction over this action pursuant to 28 U.S.C. § 1331, in that this is an action arising under the Securities Act of 1933, 15 U.S.C. § 77a, *et seq.* (the “Securities Act”). Subject-matter jurisdiction under the Securities Act is further founded under 15 U.S.C. § 77v(a).

5. This Court has jurisdiction over this action pursuant to 28 U.S.C. § 1331, in that this is also an action rising under the Securities Exchange Act of 1934, 15 U.S.C. § 78a, *et seq.* (the “Exchange Act”). Subject-matter jurisdiction under the Exchange Act is further founded under 15 U.S.C. § 78aa(a).

6. This Court has jurisdiction over this action pursuant to 28 U.S.C. § 1332(a) because the amount in controversy exceeds \$75,000 and the suit is between Plaintiffs, who are citizens of Utah and Hawaii, and Defendants, who are all citizens of Idaho.

VENUE

7. Venue is proper in this district under 28 U.S.C. § 1391(b)(1) because all Defendants reside in, or are principally located in, the state of Idaho and because a substantial part of the events or omissions giving rise to the claim occurred in this state.

8. Venue is also proper pursuant to the Securities Act, 15 U.S.C. § 77v(a), and the Exchange Act, 15 U.S.C. § 78aa(a), because all Defendants reside in and transact or transacted business in this district.

PARTIES

9. Plaintiff David Powell is an individual who resides in West Jordan, Utah.

10. Plaintiff Merav Knafo is an individual who resides in Pahoia, Hawaii.

11. Defendant Crypto Traders Management, LLC, is a limited liability company formed under the laws of Idaho, formerly with a principal place of business located in Bonner County, Idaho ("CTM"). CTM was administratively dissolved effective May 15, 2019, and has not been reinstated. On information and belief, it is believed that Defendant Shawn Cutting was the sole member/manager of CTM. CTM is not, and never has been, a registered broker-dealer under state or federal law.

12. Defendant Shawn Cutting is an individual who resides in Blanchard, Bonner County, Idaho. Cutting is not, and never has been, a registered broker-dealer under state or federal law. Cutting is a career conman with multiple convictions for theft, bank fraud, and forgery going back at least to the 1990s.

13. Defendant Courtney Lata is an individual who resides in Coeur d'Alene, Kootenai County, Idaho. Lata is Cutting's daughter and is formerly known as Courtney Cutting. Lata is not, and never has been, a registered broker-dealer under state or federal law.

14. Defendants Cutting and Lata, in conducting the investment enterprise described herein, have referred to themselves as "CTM" or "CTC."

FACTS

15. In recent years, popular interest in digital assets has skyrocketed worldwide. Often called "cryptocurrencies," there are now numerous digital assets based on blockchain technology, which allows asset owners to hold and transfer assets without the need for a centralized processing authority.

16. Perhaps the best-known digital asset is Bitcoin. However, there are now more than 5,000 alternative blockchain-based assets generally known as "altcoins." It is common for altcoin issuers to begin sales of altcoins in "initial coin offerings" or "ICOs" in a process that resembles an informal initial public offering of unregistered securities. More recently, altcoin offerings called "initial exchange offerings" or "IEOs" have moved to online trading platforms purporting to be legitimate securities exchanges engaging in offerings for companies raising capital. Collectively, ICOs and IEOs are referred to as "altcoin offerings."

17. The U.S. Securities and Exchange Commission has noted that altcoin offerings are frequently conducted in violation of applicable securities regulations and on exchanges not

properly registered with (or exempt from registration with) the SEC.¹ In the past several years, the SEC has aggressively ramped up enforcement activity against illegal altcoin offerings.

18. In addition to being conducted outside any legitimate legal framework, altcoin offerings have frequently proven merely to be a new take on old “pump-and-dump” investment scams or simply offerings of valueless and fraudulent securities. In addition, a cottage industry has grown up around altcoin offerings to pursue other kinds of fraud, such as soliciting bogus investment fees from investors or conducting old-fashioned ponzi schemes dressed up as novel, “cutting-edge” investment opportunities.²

19. Sometime in 2018, Cutting began running a scheme under which he took “deposits” from the public for a fund that supposedly invested in altcoin offerings (the “Crypto Fund”).

20. The Crypto Fund was simply a scam to induce investors to hand over ever increasing amounts of money by fraudulently stating that investments were growing rapidly

¹ See, e.g., *Statement on Potentially Unlawful Online Platforms for Trading Digital Assets*, SECURITIES AND EXCHANGE COMMISSION (Mar. 7, 2018) <https://www.sec.gov/news/public-statement/enforcement-tm-statement-potentially-unlawful-online-platforms-trading>; *Statement on Cryptocurrencies and Initial Coin Offerings*, SECURITIES AND EXCHANGE COMMISSION (Dec. 11, 2017), <https://www.sec.gov/news/public-statement/statement-clayton-2017-12-11>; *Investor Bulletin: Initial Coin Offerings*, SECURITIES AND EXCHANGE COMMISSION (Dec. 11, 2017) https://www.sec.gov/oiea/investor-alerts-and-bulletins/ib_coinofferings; *Investor Alert: Bitcoin and Other Virtual Currency-Related Investments*, SECURITIES AND EXCHANGE COMMISSION (May 7, 2014), <https://www.investor.gov/introduction-investing/general-resources/news-alerts/alerts-bulletins/investor-alerts/investor-39>

² See *Investor Alert: Ponzi Schemes Using Virtual Currencies*, S.E.C. OFFICE OF INVESTOR EDUCATION AND POLICY available at https://www.sec.gov/investor/alerts/ia_virtualcurrencies.pdf.



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