

**UNITED STATES DISTRICT COURT  
SOUTHERN DISTRICT OF NEW YORK**

ANTHONY PAUWELS, Individually and  
On Behalf of All Others Similarly Situated,

Plaintiff,

v.

BIT DIGITAL, INC., MIN HU, and ERKE  
HUANG,

Defendants.

Case No.

**CLASS ACTION COMPLAINT FOR  
VIOLATIONS OF THE FEDERAL  
SECURITIES LAWS**

**JURY TRIAL DEMANDED**

Plaintiff Anthony Pauwels (“Plaintiff”), individually and on behalf of all others similarly situated, by and through his attorneys, alleges the following upon information and belief, except as to those allegations concerning Plaintiff, which are alleged upon personal knowledge. Plaintiff’s information and belief is based upon, among other things, his counsel’s investigation, which includes without limitation: (a) review and analysis of regulatory filings made by Bit Digital, Inc. (“Bit Digital” or the “Company”) with the United States (“U.S.”) Securities and Exchange Commission (“SEC”); (b) review and analysis of press releases and media reports issued by and disseminated by Bit Digital; and (c) review of other publicly available information concerning Bit Digital.

### **NATURE OF THE ACTION AND OVERVIEW**

1. This is a class action on behalf of persons and entities that purchased or otherwise acquired Bit Digital securities between December 21, 2020 and January 8, 2021, inclusive (the “Class Period”). Plaintiff pursues claims against the Defendants under the Securities Exchange Act of 1934 (the “Exchange Act”).

2. Bit Digital is a holding company that purports to engage in the bitcoin mining business through its wholly owned subsidiaries in U.S. and Hong Kong.

3. On January 11, 2021, J Capital Research issued a research report alleging, among other things, that Bit Digital operates “a fake crypto currency business” “designed to steal funds from investors.” Though the Company claims “it was operating 22,869 bitcoin miners in China,” J Capital alleged that “is simply not possible” and stated that “[w]e verified with local governments supposedly hosting the BTBT mining operation that there are no bitcoin miners there.”

4. On this news, Bit Digital’s stock price fell \$6.27 per share, or 25%, to close at \$18.76 per share on January 11, 2021, on unusually heavy trading volume.

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5. Throughout the Class Period, Defendants made materially false and/or misleading statements, as well as failed to disclose material adverse facts about the Company's business, operations, and prospects. Specifically, Defendants failed to disclose to investors: (1) that Bit Digital overstated the extent of its a bitcoin mining operation; and (2) that, as a result of the foregoing, Defendants' positive statements about the Company's business, operations, and prospects were materially misleading and/or lacked a reasonable basis.

6. As a result of Defendants' wrongful acts and omissions, and the precipitous decline in the market value of the Company's securities, Plaintiff and other Class members have suffered significant losses and damages.

#### **JURISDICTION AND VENUE**

7. The claims asserted herein arise under Sections 10(b) and 20(a) of the Exchange Act (15 U.S.C. §§ 78j(b) and 78t(a)) and Rule 10b-5 promulgated thereunder by the SEC (17 C.F.R. § 240.10b-5).

8. This Court has jurisdiction over the subject matter of this action pursuant to 28 U.S.C. § 1331 and Section 27 of the Exchange Act (15 U.S.C. § 78aa).

9. Venue is proper in this Judicial District pursuant to 28 U.S.C. § 1391(b) and Section 27 of the Exchange Act (15 U.S.C. § 78aa(c)). Substantial acts in furtherance of the alleged fraud or the effects of the fraud have occurred in this Judicial District. Many of the acts charged herein, including the dissemination of materially false and/or misleading information, occurred in substantial part in this Judicial District. In addition, the Company's principal executive offices are located in this District.

10. In connection with the acts, transactions, and conduct alleged herein, Defendants directly and indirectly used the means and instrumentalities of interstate commerce, including the

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United States mail, interstate telephone communications, and the facilities of a national securities exchange.

### **PARTIES**

11. Plaintiff Anthony Pauwels, as set forth in the accompanying certification, incorporated by reference herein, purchased Bit Digital securities during the Class Period, and suffered damages as a result of the federal securities law violations and false and/or misleading statements and/or material omissions alleged herein.

12. Defendant Bit Digital is incorporated under the laws of Cayman Islands with its principal executive offices located in Flushing, New York. Bit Digital's shares trade on the NASDAQ exchange under the symbol "BTBT."

13. Defendant Min Hu ("Hu") was the Company's Chief Executive Officer ("CEO") at all relevant times.

14. Defendant Erke Huang ("Huang") was the Company's Chief Financial Officer ("CFO") at all relevant times.

15. Defendants Hu and Huang (collectively the "Individual Defendants"), because of their positions with the Company, possessed the power and authority to control the contents of the Company's reports to the SEC, press releases and presentations to securities analysts, money and portfolio managers and institutional investors, i.e., the market. The Individual Defendants were provided with copies of the Company's reports and press releases alleged herein to be misleading prior to, or shortly after, their issuance and had the ability and opportunity to prevent their issuance or cause them to be corrected. Because of their positions and access to material non-public information available to them, the Individual Defendants knew that the adverse facts specified herein had not been disclosed to, and were being concealed from, the public, and that the positive

representations which were being made were then materially false and/or misleading. The Individual Defendants are liable for the false statements pleaded herein.

### **SUBSTANTIVE ALLEGATIONS**

#### **Background**

16. Bit Digital is a holding company that purports to engage in the bitcoin mining business through its wholly owned subsidiaries in U.S. and Hong Kong.

#### **Materially False and Misleading Statements Issued During the Class Period**

17. The Class Period begins on December 21, 2020. On that day, the Company announced its revised third quarter 2020 financial results in a press release that stated:

##### **Financial Highlights for the Third Quarter 2020**

- Revenue from bitcoin mining business was \$7.91 million.
- The number of bitcoins earned from bitcoin mining business was 739.51.
- The number of miners was 22,869, with 16,865 miners acquired in the third quarter 2020.
- The net income from continuing operations of \$0.10 million was all from bitcoin mining business, compared to the net loss of \$1.79 million for the third quarter 2019.
- The net loss from discontinued operations was \$0.10 million for the third quarter 2020, as we disposed of peer-to-peer and car rental business in the PRC, compared with the net loss from discontinued operations of \$1.22 million for the third quarter 2019.
- The net income was \$54 and the earnings per share was \$0.00 for the third quarter 2020, compared with the net loss of \$3.0 million and loss per share of \$0.20 for the same period last year.

##### **Financial Highlights for the Nine Months 2020**

- Revenue from bitcoin mining business was \$8.60 million.
- The number of bitcoins earned from bitcoin mining business was 814.23.

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