

IN THE CIRCUIT COURT OF THE FIFTEENTH JUDICIAL CIRCUIT  
IN AND FOR PALM BEACH COUNTY, FLORIDA

GENERAL JURISDICTION DIVISION

Case No: \_\_\_\_\_

SKYE BONOW, an individual,

Plaintiff,

v.

PROJECT INVESTORS, INC. d/b/a Cryptsy, a Florida corporation; and  
PAUL VERNON, an individual;

Defendants.

COMPLAINT

Plaintiff, SKYE BONOW, an individual (hereinafter "Plaintiff"), by and through undersigned counsel, hereby sues Defendants, PROJECT INVESTORS, INC. d/b/a Cryptsy, a Florida corporation ("Cryptsy"); and PAUL VERNON, an individual ("VERNON") (collectively "Defendants"); pursuant to the Florida Deceptive and Unfair Trade Practices Act ("FDUTPA"), Florida Civil Theft statute, Florida's Securities and Investor Protection Act, and other violations of Florida state law to recover damages for unlawful and unwarranted theft of personal property. In support thereof, Plaintiff states as follows:

PRELIMINARY STATEMENT

1. This action seeks to compensate Plaintiff for the theft of his Bitcoin, an act of complex design, perpetrated upon him by Defendants under the guise of an online cryptocurrency trading platform created and deployed by Defendants specifically to induce the public, including Plaintiff, to transfer Bitcoin to Defendants for Defendants' later misappropriation and use.

2. Contrary to the claims promoted on the Cryptsy website, the website platform was not a secure online cryptocurrency trading platform, but instead was rife with developmental bugs, security issues, lack of protection against fraud, and operated as a general slush comingled account for Defendants to later misappropriate funds for its own use.

3. While Plaintiff believed and relied upon Defendants to bring Plaintiff financial reward; Defendants relied upon Plaintiff's trust whilst simultaneously secreting assets away from Plaintiff, leaving Plaintiff with nothing.

### **GENERAL ALLEGATIONS**

#### **PARTIES**

4. Plaintiff is an individual domiciled in Easton, Maryland and is *sui juris*.

5. Defendant, Project Investors, Inc. (hereinafter "Defendant" or "Cryptsy") is a Florida corporation (Filing Document Number P13000010430; FEI/EIN 46-1916396) whose principal address and place of business is 16 Congress Park Drive, Suite 101, Delray Beach, FL 33445. At all material times, Defendant operated a website business for general consumers and the public to exchange, invest, and trade in digital cryptocurrencies, like Bitcoin. Defendant conducts business worldwide, including with customers in the State of Florida.

6. Defendant VERNON is an individual domiciled in Boynton Beach, Florida, is a citizen of the State of Florida; and is *sui juris*. At all times material hereto, VERNON was the founder, operator, and Chief Executive Officer of Cryptsy. In addition, VERNON conducted business worldwide, including with customers in the State of Florida.

7. In essence, Cryptsy and VERNON are one-and-the-same. Cryptsy is an "alter ego" of VERNON, who dominates and controls the corporate entity to further a fraudulent scheme and to further VERNON's own personal financial interests.

8. In addition to those persons and entities set forth as Defendants herein, there are likely other parties who may well be liable to Plaintiff, but respecting whom Plaintiff currently lacks specific facts to permit him to name such persons as parties defendant. By not naming such persons or entities at this time, Plaintiff is not waiving his right to amend this pleading to add such parties, should the facts warrant adding such parties.

### **JURISDICTION AND VENUE**

9. This Court has subject matter jurisdiction over these parties for these claims because the causes of action arise within the jurisdiction of this court and therefore venue and jurisdiction are proper.

10. This Court has personal jurisdiction over Defendants because: (a) Defendants are operating, present, and/or doing business within this jurisdiction, (b) Defendants both reside within this jurisdiction, and (c) Defendants' breaches and tortious activity occurred within this jurisdiction.

11. Venue of this action is proper in this Court pursuant to Florida Statutes §§ 47.011, *et seq.*, as the causes of action alleged herein arose in Palm Beach County, Florida.

### **FACTUAL ALLEGATIONS APPLICABLE TO ALL COUNTS**

12. Bitcoin is a virtual currency that may be traded on online exchanges for conventional currencies, including the U.S. dollar, or used to purchase goods and services online. Bitcoin has no single administrator or central authority or repository. For federal tax purposes, virtual currency (including Bitcoin) is treated as property.

13. On or about January 31, 2013, Paul "Big Vern" Vernon registered Project Investors Inc. as a "for profit" corporation in the State of Florida; and VERNON, by and through the

corporation (known as “Cryptsy”), began operating a website at the following web address:  
<http://www.cryptsy.com>.

14. Cryptsy solicited members of the public to register new accounts, deposit Bitcoin with Cryptsy, and thereafter actively engage in the exchange and trade of Bitcoin, as well as other (alternate) cryptocurrencies.

15. After a new user created an account, the user was given a unique web address by Cryptsy (referred to as a “Bitcoin wallet address”) to which the user is supposed to send to Cryptsy the user’s Bitcoin or other cryptocurrency for safeguarding.

16. A user’s account, once populated with a Bitcoin balance, could buy, sell, or trade in alternative cryptocurrencies. All denominations of account balances for a user were listed in Bitcoin denominations, commonly styled as “BTC.” Cryptsy, as payment for its services, took commissions on all transactions that traveled through its website.

17. The wallet address given to each user by Cryptsy in which the user could deposit his/her/its Bitcoin was not an individual address specifically designated for use by the user, but instead was a pooled wallet, under Cryptsy’s control.

18. From May 2013 through July 2013, Plaintiff deposited approximately 20 BTC into what he believed was his unique, protected Cryptsy account.

19. Through a series of position plays and successful speculation, Plaintiff successfully traded in virtual currencies through December 2013 when his Cryptsy account balance displayed a value of at least 170 BTC.

20. In December 2013, Bitcoin value reached nearly \$1200 (USD) per Bitcoin.

21. In December 2013, Plaintiff’s Cryptsy account was worth at least \$204,000 (USD).

22. In or before December 2013, Defendants became aware of a breach in Cryptsy's security protocol which allowed user accounts to be pilfered.

23. On or about January 26, 2014, Plaintiff's Cryptsy account displayed approximately one hundred forty (140) BTC in value. On January 27, 2014, Plaintiff's Cryptsy account displayed approximately zero (0) BTC in value.

24. On or about January 26, 2014, between approximately 5:20 p.m. and 5:38 p.m., Plaintiff's Cryptsy account was drained through an internally transferred process by virtue of a series of trades within the Cryptsy platform. At all times relevant, Defendants maintained control of all transactions through Cryptsy's internal processes.

25. On or about January 27, 2014, Plaintiff contacted Defendants to report the theft, but Defendants did nothing to make Plaintiff whole.

26. In or about June 2014, Defendants upon information and belief, transferred Plaintiff's BTC out of Defendants' control to a third party with complete disregard for their knowledge that Plaintiff made a claim to those assets.

27. As a result of the above-cited actions, omissions and misrepresentations, Plaintiff has been damaged in that he has lost all or a portion of the funds in his Cryptsy account.

28. Plaintiff has duly performed all of his duties and obligations, and any conditions precedent to Plaintiff bringing this action have occurred, have been performed, or else have been excused or waived.

29. To enforce his rights, Plaintiff has retained undersigned counsel and is obligated to pay counsel a reasonable fee for its services, for which Defendants are liable as a result of their bad faith, the statutory violates set forth below, and otherwise.

**COUNT I – VIOLATION OF FLORIDA’S DECEPTIVE AND UNFAIR TRADE  
PRACTICES ACT (FLA. STAT. §§ 501.201 – 501.213) [“FDUTPA”]**

Plaintiff re-alleges, and adopts by reference herein, Paragraphs 1-29 above, and further alleges:

30. Chapter 501, Fla. Stat., Florida’s Deceptive and Unfair Trade Practices Act is to be liberally construed to protect the consuming public, such as Plaintiff in this case, from those who engage in unfair methods of competition, or unconscionable, deceptive, or unfair acts or practices in the conduct of any trade or commerce.

31. Plaintiff is a consumer within the meaning of Fla. Stat. § 501.203(7).

32. Defendants engaged in trade and commerce within the meaning of Fla. Stat. § 501.203(8).

33. While FDUTPA does not define “deceptive” and “unfair” it incorporates by reference the Federal Trade Commission’s interpretations of these terms. The FTC has found that a “deceptive act or practice” encompasses “a representation, omission or practice that is likely to mislead the consumer acting reasonably in the circumstances to the consumer’s detriment.”

34. Defendants failed to inform Plaintiff that his Bitcoin would not be held in an account for his benefit; failed to inform Plaintiff that his account was not secured and free from security breach; failed to inform Plaintiff that Cryptsy’s systems were subject to computer development issues due to a lack of experience in coding and debugging; failed to inform Plaintiff that Defendants still had control of his Bitcoin; failed to inform Plaintiff that Defendants transferred his Bitcoin to third parties; failed to inform Plaintiff that Defendants would not protect his assets; and among other things, failed to return Plaintiff’s property which Defendants held for Plaintiff’s benefit.

35. As a result of Defendants’ deceptive trade practices, Plaintiff was deceived into transferring Bitcoin to Defendants, deceived into believing that Plaintiff’s assets were safe; and

deceived into maintaining assets with Defendants when Plaintiff would have otherwise been able to protect and preserve his assets – thus causing significant economic damage to Plaintiff.

36. The materially false statements and omissions as described above; and the fact that Defendants perpetrated upon Plaintiff a sham transaction; were unfair, unconscionable, and deceptive practices perpetrated on Plaintiff which would have likely deceived a reasonable person under the circumstances.

37. Defendants were on notice at all relevant times that the false representations of material facts described above were being communicated to prospective customers (such as Plaintiff) through public solicitation on Cryptsy's website (Cryptsy.com).

38. As a result of the false representations described above, Plaintiff has been damaged by, among other things, losing his Bitcoin and essentially being precluded from receiving a positive return on his investments.

39. Plaintiff has also been damaged in other and further ways subject to proof at trial.

40. Therefore, Defendants engaged in unfair and deceptive trade practices in violation of section 501.201 *et seq.*, Fla. Stat.

41. At all times material hereto, Cryptsy was an "alter ego" of VERNON and served as a corporate entity he dominated and controlled to further his interest and participation in the fraudulent scheme.

42. Pursuant to §§ 501.211(1) and 501.2105, Fla. Stat., Plaintiff is entitled to recover from Defendants the reasonable amount of attorneys' fees Plaintiff has incurred in representing his interests in this matter.

WHEREFORE, Plaintiff, SKYE BONOW, an individual, demands judgment against Defendants PROJECT INVESTORS INC. (d/b/a Cryptsy.com), a Florida corporation; and PAUL

VERNON, an individual, for an amount within the jurisdictional limits of this court, including an award of interest and an award of attorney's fees and costs pursuant to Fla. Stat. § 501.211(1) and 501.2105. Plaintiff reserves the right to seek leave of court to assess punitive damages against Defendants.

### **COUNT II – FRAUDULENT INDUCEMENT**

Plaintiff re-alleges, and adopts by reference herein, Paragraphs 1-29 above, and further alleges:

43. Defendants, by acts of both omission and commission, made false statements concerning material facts about the capabilities, stability, security, products, services and protection of Plaintiff's property and about Plaintiff's Cryptsy account which induced Plaintiff to deposit and keep his Bitcoin with Defendants.

44. Defendants knew at the time Plaintiff's account was opened that the statements and omissions about Cryptsy's account capabilities and the security of Plaintiff's assets were false.

45. Defendants intended that Plaintiff be induced by their false statements so Plaintiff would deposit his Bitcoin with Defendants.

46. In the course of transferring and holding his Bitcoin with Defendants and entrusting Defendants to properly protect and return Plaintiff's deposited funds on account, Plaintiff reasonably and justifiably relied on statements of fact made to him by Defendants.

47. As a direct and proximate result of Plaintiff's reliance on the statements and omissions made to him by Defendants, Plaintiff has suffered damages.

WHEREFORE, Plaintiff, SKYE BONOW, demands entry of judgment against Defendant, PROJECT INVESTORS INC. (d/b/a Cryptsy.com), a Florida corporation; and PAUL VERNON, an individual, for an amount within the jurisdictional limits of this court, including an award of



interests and costs. Plaintiff reserves the right to seek leave of court to assess punitive damages against Defendant.

**COUNT III – VIOLATION OF FLORIDA’S CIVIL THEFT STATUTE  
(FLA. STAT. §772.11)**

Plaintiff re-alleges, and adopts by reference herein, Paragraphs 1-29 above, and further alleges:

48. Fla. Stat. § 812.014 (“Theft”) provides, in pertinent part:

- (1) *A person commits theft if he or she knowingly obtains or uses, or endeavors to obtain or to use, the property of another with intent to, either temporarily or permanently:*
  - (a) *Deprive the other person of a right to the property or a benefit from the property.*
  - (b) *Appropriate the property to his or her own use or the use of any person not entitled to the use of the property.*

49. Pursuant to §812.014(1)(a), it is a first degree felony if the property stolen is valued at \$100,000 or more.

50. Fla. Stat. §772.11 (“Civil Remedy for theft or exploitation”) provides, in pertinent part:

*Any person who proves by clear and convincing evidence that he or she has been injured in any fashion by reason of any violation of ss. 812.012-812.037 or s. 825.103(1) has a cause of action for threefold the actual damages sustained and, in any such action, is entitled to minimum damages in the amount of \$200, and reasonable attorney’s fees and courts costs in the trial and appellate courts. Before filing an action for damages under this section, the person claiming injury must make a written demand for \$200 or the treble damage amount of the person liable for damages under this section. If the person to whom a written demand is made complies with such demand within 30 days after receipt of the demand, that person shall be given a written release from further civil liability for the specific act of theft or exploitation by the person making the written demand.*

51. As set forth above, Plaintiff has been injured by Defendants’ violation of Fla. Stat. § 812.014, *et seq.*

52. Defendants knowingly obtained or used, or endeavored to obtain or use, Plaintiff's property with "felonious intent," either temporarily or permanently, to deprive Plaintiff of his right to or a benefit from the property or appropriate the property to Defendants' own use or the use of any person not entitled to the property.

53. On September 9, 2014, Plaintiff presented Defendants a formal written demand under Fla. Stat. § 772.11 for either the prompt return of Plaintiff's property or payment to Plaintiff of the full value of that property. *See, Exhibit "A"* hereto.

54. As of the date of filing this lawsuit, which is more than thirty days after the date on which written demand was served, Plaintiff's demand for delivery of his Bitcoin has gone unfulfilled, as Defendants has not delivered to Plaintiff either any of his Bitcoin or the monetary value of Plaintiff's Bitcoin.

55. As a direct and proximate result of Defendants' actions, Plaintiff has suffered damage.

56. Pursuant to Fla. Stat. § 772.11, Plaintiff is entitled to recover from Defendants three times the current monetary value in compensatory damages for which Defendants would otherwise be liable.

57. Pursuant to Fla. Stat. § 772.11, Plaintiff is entitled to recover from Defendants the reasonable amount of attorneys' fees Plaintiff has incurred in representing his interests in this matter.

WHEREFORE, Plaintiff, SKYE BONOW, an individual, demands entry of judgment against Defendant, PROJECT INVESTORS INC. (d/b/a Cryptsy.com), a Florida corporation; and PAUL VERNON, an individual, for an amount within the jurisdictional limits of this court, including an award of interest and an award of attorneys' fees and costs pursuant to Fla. Stat. §

772.11. Plaintiff reserves the right to seek leave of court to assess punitive damages against Defendants.

**COUNT IV – VIOLATION OF FLORIDA’S SECURITIES AND INVESTOR  
PROTECTION ACT (FLA. STAT. §§ 517.011, *et seq.*)**

Plaintiff re-alleges, and adopts by reference herein, Paragraphs 1-29 above, and further alleges:

58. Fla. Stat. § 517.301 makes it unlawful for anyone, in connection with the rendering of any investment advice or in connection with the offer, sale, or purchase of any investment or security: (a) to employ any device, scheme, or artifice to defraud; (b) to obtain money or property by means of any untrue statement of a material fact or any omission to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading; or (c) to engage in any transaction, practice, or course of business which operates or would operate as a fraud or deceit upon a person.

59. Defendants generally solicited the public to use its trading platform to invest in alternative cryptocurrency for which it received commissions, but Defendants failed to inform the public, including Plaintiff, of, *inter alia*, the risks of using Defendants’ newly-developed currency trading platform that lacked basic security protocols to protect investor assets, which is a fraudulent activity as defined in Fla. Stat. §§ 517.011, *et seq.*

60. More specifically, Defendants:

- (a) Employed a scheme to defraud Plaintiff;
- (b) Obtained Plaintiff’s Bitcoin by means of untrue statements of material fact; and
- (c) Engaged in transactions and a course of business which operated as a fraud or deceit upon Plaintiff.

61. As Defendants intended, Plaintiff justifiably relied on the material misrepresentations Defendants made to Plaintiff in connection with Plaintiff's transfer of Bitcoin to Defendants.

62. As a direct and proximate result of Defendants' violation of Fla. Stat. §§ 517.011, *et seq.*, Plaintiff has suffered damages.

63. Defendants participated in, or aided in, the unlawful procurement of Plaintiff's Bitcoin in furtherance of Defendants' fraudulent scheme.

64. Plaintiff is entitled to an award of attorney's fees pursuant to Fla. Stat. § 517.211.

WHEREFORE, Plaintiff, SKYE BONOW, an individual, demands entry of judgment against Defendant PROJECT INVESTORS INC. (d/b/a Cryptsy.com), a Florida corporation; and PAUL VERNON, an individual, for an amount within the jurisdictional limits of this court, including an award of interest and an award of attorneys' fees and costs pursuant to Fla. Stat. § 517.211.

#### **DEMAND FOR JURY TRIAL**

Plaintiff demands trial by jury in this action of all issues so triable.

#### **RESERVATION OF RIGHTS**

Plaintiff reserves the right to further amend this Complaint, upon completion of his investigation and discovery, to assert any additional claims for relief against Defendants or other parties as may be warranted under the circumstances and as allowed by law.

Respectfully submitted,

**SILVER LAW GROUP**

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Dated: October 22, 2014



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September 9, 2014

**VIA UPS GROUND**

Project Investors Inc. d/b/a Cryptsy  
160 Congress Park Drive - Suite 101  
Delray Beach, FL 33445  
Attn: Paul Vernon, CEO

**VIA UPS GROUND**

Paul Vernon  
8656 Tourmaline Blvd.  
Boynton Beach, FL 33472

Re: Skye Bonow v. Project Investors, Inc. d/b/a Cryptsy and Paul Vernon

Dear All:

This letter is being sent on behalf of Skye Bonow, my law firm's client in the above-referenced matter. Despite repeated demand, you have failed and refused to return property belonging to Mr. Bonow. Specifically, the property being wrongfully held -- which you fraudulently extracted from my client in the State of Florida -- consists of 120 Bitcoins, which have a current-day value of \$60,000.00.

There is no excuse for your failure to return my client's property; and we demand that you immediately return the property or tender the full value of the property to the Silver Law Group trust account. Should you fail to do so within the next ten (10) days, further comprehensive legal action may be taken without any further notice. A demand under the Florida Civil Theft Statute follows. In the event that return of the property or payment of the cited amount is made within ten (10) days of the date of this letter, the treble damages aspect of that demand will be waived. Failure to return the property or make the payment in a timely manner, however, will result in the treble damage claim being asserted.

**Demand Under Fla. Stat. § 772.11**

*Any person who proves by clear and convincing evidence that he or she has been injured in any fashion by reason of any violation of ss. 812.012-812.037 or s. 825.103(1) has a cause of action for threefold the actual damages sustained and, in any such action, is entitled to minimum damages in the amount of \$200, and reasonable attorney's fees and court costs in the trial and appellate courts. Before filing an action for damages under this section, the person claiming injury must make a written demand for \$200 or the treble damage amount of the person liable for damages under this section. If the person to whom a written demand is made complies with such demand within 30 days after receipt of the demand, that person shall be given a written release from further civil liability for the specific act of theft or exploitation by the person making the written demand.*

The present-day amount which we know is subject to the Florida Civil Theft statute is \$60,000.00. Treble damages therefore equal \$180,000.00. For now, we are making this demand only upon you; but at such time as we determine what was done with my client's property, additional demands may be made. Please return the improperly received property or its equivalent value within thirty (30) days of the date of this letter, and my client will thereupon release you from any further civil liability with regard to the above-identified property.

**EXHIBIT "A"**

It is imperative that you understand the position in which you have placed yourselves. I am at your service to facilitate the payment of the monies due and/or receive the return of the property at issue.

PLEASE GOVERN YOURSELVES ACCORDINGLY.

Very Truly Yours,



David C. Silver, Esq.

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