

SUPREME COURT OF THE STATE OF NEW YORK
COUNTY OF NEW YORK

<p>LCX AG,</p> <p style="text-align: center;">Plaintiff,</p> <p style="text-align: center;">-against-</p> <p>JOHN DOE NOS. 1-25,</p> <p style="text-align: center;">Defendants.</p>

Index No. _____

COMPLAINT

Plaintiff LCX AG (“**Plaintiff**”), by and through its undersigned counsel Holland & Knight LLP and Bluestone, P.C., brings this complaint for claims of conversion and money had and received against Defendants John Doe Nos. 1-25 (collectively, “**Defendants**”), and alleges as follows:

PRELIMINARY STATEMENT

1. This is an action for the unauthorized access to and theft of nearly \$8 million worth of various virtual assets held by Plaintiff, a virtual asset service provider in Liechtenstein. All of the virtual assets were based on the Ethereum blockchain.
2. The theft was perpetrated by Defendants, unknown persons who took numerous measures to obscure the resulting transaction trail left behind on the Ethereum blockchain, including exchanging the stolen assets for other forms of virtual assets and the use of virtual asset services tailor-made to foil virtual asset tracing investigations.
3. Plaintiff’s investigation has led it to initiate recovery actions in Liechtenstein, Ireland, and now in the United States—wherever recovery of the stolen assets may be effected.

PARTIES, JURISDICTION AND VENUE

4. Plaintiff LCX AG is a company incorporated in Liechtenstein. Plaintiff maintains a principal place of business at Herrengasse 6, 9490 Vaduz, Principality of Liechtenstein.

5. Defendants John Doe Nos. 1-25 are persons of unknown citizenship who perpetrated the wrongdoing alleged herein. Plaintiff will attempt to identify Defendants through discovery served on third parties with whom Defendants interacted.

6. Jurisdiction is proper in New York County because Plaintiff's investigation shows that Defendants are in possession of an asset that is likely in the possession, custody, or control of non-party Centre Consortium, LLC ("CCL") and/or Circle Internet Financial, Inc. ("CIF"), which Plaintiff understands maintains a presence in New York. In particular, CIF maintains a registered address at 28 Liberty Street, New York, New York 10005.

7. Venue is proper in New York County pursuant to CPLR § 503(a).

FACTS AND PROCEDURAL BACKGROUND

I. The LCX Exchange Hack

8. Plaintiff created and maintains the internet platform LCX.com, on which Plaintiff operates the virtual currently LCX Exchange (exchange.LCX.com).

9. The LCX Exchange holds its assets in several different digital wallets.

10. Virtual asset wallets are secured by means of an alphanumeric private key. Access to a private key grants control over any assets held at a corresponding virtual asset address, including the ability to send them to other addresses. Generally, such blockchain-based asset transactions are irrevocable.

11. On January 8, 2022, Defendants gained unauthorized access to the primary LCX Exchange wallet address held by Plaintiff, transferring approximately \$7.94 million worth of

different virtual assets (the “**Stolen Crypto Assets**”) to an address under Defendant’s control and outside of Plaintiff’s control.

12. The Stolen Crypto Assets consisted of Ethereum (“**ETH**”) and eight other types of virtual assets.

13. On January 9, 2022, upon learning of the theft, Plaintiff shut down trading on the LCX Exchange, opened an internal investigation, informed its service providers and partners, and notified the National Police of the Principality of Liechtenstein. A true and correct English translation of Plaintiff’s letter to the National Police of Lichtenstein is attached as **Exhibit 1**.

14. Plaintiff also collaborated with an analytics company to further trace the stolen assets and attempt to ascertain the Defendant’s identity.

15. The culmination of this collaboration was a Funds Tracing Report presented by Plaintiff on January 17, 2022 (the “**Tracing Report**”). A true and correct copy of the Tracing Report is attached as **Exhibit 2**.

II. Certain of the Stolen Crypto Assets Become Stored in an Account at CCL

16. Subsequent to the theft, Defendants sold all of the non-ETH Stolen Crypto Assets on several cryptocurrency exchanges.

17. As detailed in the Tracing Reporter, Defendants then sent virtually all of the Stolen Crypto Assets to Tornado Cash, a mixing service.

18. Mixing services—mixers—are a way to disguise the blockchain transaction trail left in the wake of blockchain-based cryptocurrency transactions.

19. Ultimately, the ETH Stolen Crypto Assets was funneled through Tornado Cash in nearly 50 transactions.

20. Much of the ETH Stolen Crypto Assets ended up being stored in the cryptocurrency known as USD Coin (“USDC”).

21. This USDC is in turn stored in the wallet at CCL with the address numbered 0x29875bd49350aC3f2Ca5ceEB1c1701708c795FF3 (the “Address”).

22. CCL is the entity governing the protocol, *i.e.*, the software rules which apply to USDC.

23. Pursuant to Centre Consortium USDC Network Blacklisting Policy (the “Policy”), CCL is able to prevent the Address (or any other ETH blockchain address) from transacting in USDC:

[CCL] has the ability to block individual [ETH] Blockchain addresses from sending and receiving [USDC]. . . . [T]his ability is referred to as ‘blacklisting.’ When an address is blacklisted, it can no longer receive USDC and all of the USDC controlled by that address is blocked and cannot be transferred on-chain.

24. As required by the Policy, CCL will blacklist the Address “[t]o comply with a . . . legal order from a [U.S.] court of competent jurisdiction.”

25. In total, via the Address, Defendants purchased \$4.1 million in USDC in two large transactions on March 27, 2022 and May 9, 2022.

26. Defendants then sold \$2.827 million USDC in two large transactions on May 7, 2022 and another on May 31, 2022.

27. As of May 31, 2022, the Address still holds \$ 1.274 million in USDC.

28. Defendants could sell this remainder of USDC with no notice.

FIRST CAUSE OF ACTION
CONVERSION

29. Plaintiff incorporates by reference paragraphs 1 to 28 as if set fully forth herein.

30. The Stolen Crypto Assets are identifiable intangible articles of property, traceable using the Ethereum blockchain and associated with specific virtual asset addresses.

31. Plaintiff had an immediate possessory right to the Stolen Crypto Assets, which Plaintiff was either the owner of or was the custodian of on behalf of Plaintiff's customers.

32. Defendants intended to and did exercise absolute dominion over the Stolen Crypto Assets when Defendants transferred the Stolen Crypto Assets to an address over which Plaintiff has no control, exchanged many of those Assets for other virtual assets, and then attempted to hide the illicit transactions by using a mixer.

33. Defendant's dominion over the Stolen Crypto Assets was in derogation of Plaintiff's rights to those Assets, completely depriving Plaintiff of the use of the Stolen Crypto Assets.

34. Defendant's dominion over the Stolen Crypto Assets damaged Plaintiff.

SECOND CAUSE OF ACTION
MONEY HAD AND RECEIVED

35. Plaintiff incorporates by reference paragraphs 1 to 34 as if set fully forth herein.

36. Defendants received the Stolen Crypto Assets from Plaintiff by way of unauthorized access to Plaintiff's virtual asset address at the LCX Exchange.

37. Defendants benefited from receiving the Stolen Crypto Assets by selling many of those Assets and retaining the revenue from those sales.

38. In principles of equity and good conscience, Defendants should not be allowed to retain the Stolen Crypto Assets or the profits derived from the sale of same because Defendants had no authority to receive and transact the Stolen Crypto Assets.

WHEREFORE, Plaintiff LCX AG respectfully requests that this Court enter an order awarding: (1) damages in the amount of \$7,942,788, that being the value of the Stolen Crypto

Assets at the time of the theft from Plaintiff; (2) pre-judgment interest; (3) an injunction ordering the return of any remaining Stolen Crypto Assets or the proceeds derived from same; (4) attorneys' fees and costs incurred in prosecuting this action; and (5) any other relief that the Court finds just and proper.

Dated: New York, New York
June 1, 2022

M. Zachary Bluestone
(pro hac vice forthcoming)
BLUESTONE, P.C.
1717 K Street, Suite 900
Washington, D.C. 20006
Phone: (202) 655-2250
Fax: (202) 792-6658
Email: mzb@bluestonelaw.com

By:  _____

Elliot A. Magruder, Esq.

Warren E. Gluck, Esq.
Elliot A. Magruder, Esq.
HOLLAND & KNIGHT LLP
31 West 52nd Street
New York, New York 10019
Phone: (212) 513-3200
Fax: (212) 385-9010
Email: warren.gluck@hklaw.com
elliott.magruder@hklaw.com

Attorneys for Plaintiff LCX AG

CERTIFICATION PURSUANT TO 22 NYCRR § 202.8-b

I, Elliot A. Magruder, an attorney duly admitted to practice law before the courts of the State of New York, hereby certifies that this Complaint complies with the word count limit set forth in 22 NYCRR § 202.8-b(c) and contains 1,236 words, excluding the parts exempted by § 202.8-b(b).

Dated: New York, New York
June 1, 2022



Elliot A. Magruder, Esq.