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IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF UTAH

In re: SAFEMOON US LLC, Debtor.	Bankr. Case No. 23-25749 Chapter 7 The Honorable Peggy Hunt
ELLEN E. OSTROW as the Chapter 7 trustee for the bankruptcy estate of SAFEMOON US LLC, a Utah limited liability company, Plaintiff, v. BITMART EXCHANGE, a Foreign Corporation, Defendants.	**COMPLAINT** **Adversary Case No. _____**

Plaintiff Ellen E. Ostrow, in her capacity as duly-appointed trustee ("***Trustee***") in the above-entitled Chapter 7 bankruptcy case (the "***Bankruptcy Case***") filed by SafeMoon US LLC ("***SafeMoon***" or the "***Debtor***"), through her undersigned counsel, files this complaint (the "***Complaint***") against BitMart Exchange ("***BitMart***" or the "***Defendant***") pursuant to sections 105, 108, 502, 542 and 550 of title 11 of the United States Code, 11 U.S.C. §§ 101 *et seq*. (the "***Bankruptcy Code***") for turnover of cryptocurrency belonging to the estate which are being withheld held by BitMart, conversion, unjust enrichment, and disallowance of claims. This Complaint arises in connection with approximately 1.35 million USDT tokens, 124,000 USDC tokens, and 390 million SafeMoon Tokens (collectively, the "***Withheld Tokens***") that have been improperly withheld from the Debtor by BitMart since at least July 2022. The Withheld Tokens have a value of at least $1.474 million.

Beginning in July 2022, the Debtor requested that BitMart permit them to withdraw the Withheld Tokens from their cryptocurrency account on several occasions. BitMart ignored these requests.

Once the Trustee was appointed, she reached out to BitMart and demanded the return of the Withheld Tokens. In February 2024, BitMart responded through counsel refusing to return them under the guise of an alleged breach of the March 30, 2021 Listing Agreement. Regardless of BitMart's excuses, it is undisputed that BitMart is holding the Withheld Tokens that belong to the estate—a fact BitMart acknowledges. Further, property of the estate must be turned over to the Trustee. BitMart's delay and refusal to do so flies in the face of the Bankruptcy Code.

Further, to the extent that the Defendant will file a proof of claim or has a claim listed on the Debtor's schedules as undisputed, liquidated, and not contingent, or have otherwise requested payment from the Debtor or the Debtor's estate (the "***Claim***"), this Complaint is not intended to

be, nor should it be construed as, a waiver of the Trustee's right to object to such Claim for any reason, including, but not limited to, Bankruptcy Code § 502(a) through (j) ("***Section 502***"), and such rights are expressly reserved. Notwithstanding this reservation of rights, certain relief pursuant to Section 502 is sought by the Trustee in this Complaint as stated below. The Trustee alleges as follows:

CRYPTOCURRENCY BACKGROUND

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

2. 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.

3. Blockchains typically employ a consensus mechanism to "validate" transactions, which, among other things, aims to achieve agreement on a data value or on the state of the ledger. Crypto assets may be traded on crypto asset trading platforms in exchange for other crypto assets or fiat currency (legal tender issued by a country).

4. A blockchain "protocol" is a code, software, or algorithm that governs how a blockchain, or a feature of a blockchain, operates.

5. "USDT" refers to a stablecoin or "tether" which is a cryptocurrency that is pegged to the U.S. dollar. For example, 1 USDT is equivalent to $1 USD. The USDT at issue in this case was held on the BitMart currency exchange.

6. "USDC" refers to a stablecoin which is a cryptocurrency that is pegged to the U.S. dollar. For example, 1 USDC is equivalent to $1 USD. The USDC at issue in this case was held on the BitMart currency exchange.

PARTIES

7. SafeMoon is a limited liability company organized and existing under the laws of the State of Utah, with its principal place of business in Provo, Utah.

8. SafeMoon filed a voluntary petition under Chapter 7 of the United States Bankruptcy Code on December 14, 2023 (the "***Petition Date***"). Shortly thereafter, Trustee was appointed as Chapter 7 Trustee of the Debtor pursuant to an order of the United States Bankruptcy Court for the District of Utah (the "***Court***").

9. Upon information and belief, BitMart Exchange is a global cryptocurrency exchange registered in the Cayman Islands.

JURISDICTION AND VENUE

10. The Court has subject matter jurisdiction over this Adversary Proceeding pursuant to 28 U.S.C. §§ 157 and 1334.

11. This Court has personal jurisdiction over BitMart pursuant to Utah Code § 78B-3-205 because BitMart has transacted business and caused injury within the State of Utah. This dispute arises specifically from BitMart's contacts with individuals and other entities in Utah and this district, and BitMart has purposefully availed themselves of the Utah forum such that they could reasonably anticipate being called to defend themselves in courts within the state. Additionally, BitMart transacts substantial business with entities and individuals in Utah by, among other things, committing the tortious acts described herein in Utah. Thus, requiring BitMart to litigate this case in this Court does not offend traditional notions of fair play and substantial justice and is permitted by the Due Process Clause of the United States Constitution.

12. The Trustee confirms that she consents to the entry of a final order or judgment by the Court in connection with this Adversary Proceeding to the extent that it is later determined that

the Court, absent consent of the parties to this action, cannot enter a final order or judgment in connection herewith consistent with Article III of the United States Constitution.

13. Venue is proper in this district pursuant to 28 U.S.C. §§ 1408 and 1409.

14. This Adversary Proceeding is commenced pursuant to Rule 7001(1) of the Federal Rules of Bankruptcy Procedure and sections 105 and 108 of the Bankruptcy Code.

BACKGROUND[1]

A. Creation of the SafeMoon Token

15. On or about March 1, 2021, Kyle Nagy ("***Nagy***") the creator and founder launched the SafeMoon Token through the use of a "smart contract" that he controlled and deployed on the Binance Smart Chain blockchain.[2]

16. At launch, Nagy "minted" one quadrillion SafeMoon Tokens, burned 223 trillion of them, and transferred the remaining 777 trillion to another smart contract that was programmed to conduct an automated sale of the tokens upon receipt into the smart contract. According to Nagy, he intended to create a supposedly "entirely community driven" and "self-regenerating automatic liquidity providing protocol" that would pay out rewards to token holders and penalize sellers.

17. On or about March 2021, Braden John Karony ("***Karony***") and Thomas Glenn Smith ("***Smith***") joined SafeMoon as the CEO and CTO respectively. At that time, Nagy shared control of the SafeMoon Token smart contract owner address ("***SafeMoon Contract Owner Address***") with them.[3]

[1] Capitalized terms not defined in this Background section retain the definition ascribed to them below.

[2] Smart contracts are self-executing code deployed on a blockchain that perform "if/then" computations. Smart contracts can govern the issuance and distribution of tokens on a blockchain, and typically those who deploy such smart contracts can control them through administrative access rights.

[3] Karony, Nagy, and Smith are collectively, the "***Former Executives***."

B. The SafeMoon Business Model

18. Following formation and from March 2021 to around September 2021, the Former Executives issued white papers and press releases and made public statements in news, print, and social media posts, representing that: (a) SafeMoon would periodically burn SafeMoon Tokens to increase the value of the asset by reducing its circulating supply; (b) holders of SafeMoon Tokens would receive passive income through dividend type payments; and (c) SafeMoon would create the SafeMoon Liquidity Pool to hold SafeMoon funds and other assets to stabilize and safeguard the value of the SafeMoon Tokens.

C. The Listing Agreement with BitMart

19. On March 30, 2021, BitMart and SafeMoon entered into a Listing Agreement wherein Bitmart would (a) trade SafeMoon Tokens on the BitMart platform and (b) employ the SafeMoon Tokenomics where Bitmart would (i) assess a 10% tax on all trades involving SafeMoon tokens, (ii) reflect its share of half of the 10% tax to its account holders on a proportional basis, and (iii) provide the other half of the tax to SafeMoon in order to increase the size of SafeMoon's liquidity pools on the decentralized exchanges.

20. On multiple occasions in 2022, SafeMoon attempted to withdraw the Withheld Tokens from Bitmart. BitMart did not honor those requests and the trades were not executed.

21. In October 2023, SafeMoon again reached out to BitMart, through their in-house counsel, and requested that the BitMart return the Withheld Tokens to SafeMoon. BitMart again refused.

22. Shortly after her appointment in the Bankruptcy Case, the Trustee renewed the company's request to BitMart, again demanding the return of the Withheld Tokens which now were an asset of the bankruptcy estate.

23. A month later, BitMart responded by claiming breaches of the Listing Agreement as well as BitMart's User Agreement, on various purported technical grounds, and refused to return the Withheld Tokens to the Trustee. BitMart also claimed to have a counterclaim for damages incurred and stated that it is entitled to "exercise its setoff right against the funds in possession of BitMart." BitMart claims that its possession of the Withheld Tokens—estate assets—is based on a self-help remedy of recoupment.

24. The deadline to file a Proof of Claim in the Bankruptcy Case was July 22, 2024.

25. To date, BitMart has not filed a Proof of Claim in this Bankruptcy Case asserting claims to the Withheld Tokens, asserting any right to setoff or basis for recoupment.

CAUSES OF ACTION

First Cause of Action
(Turnover – Bankruptcy Code § 542)

26. The Trustee repeats, realleges and incorporates by reference all preceding paragraphs of this Complaint.

27. The Withheld Tokens belong to and are the property of the Debtor's estate.

28. BitMart acknowledged this fact in their February 2024 letter by asserting a counterclaim for damages, asserting self-help by claiming recoupment by refusing to return the Withheld Tokens and asserting a right to setoff against the Debtor's assets. It is, therefore, undisputed that the Withheld Tokens are property of the Debtor's estate and must be returned.

29. For these reasons, the Trustee is entitled to an order requiring BitMart to turnover the Withheld Tokens (or cash equivalent if they have been liquidated in an amount not less than $1.474 million) to the bankruptcy estate under § 542 of the Bankruptcy Code.[4]

[4] The Trustee reserves the right to seek additional relief including but not limited to sanctions under Section 362(k) of the Bankruptcy Code for violation of the automatic stay by BitMart in the main Bankruptcy Case.

Second Cause of Action
(Conversion of the Debtor's Assets)

30. The Trustee repeats, realleges and incorporates by reference all preceding paragraphs of this Complaint.

31. As set forth above, by refusing to return the Withheld Tokens owned by the Debtor, BitMart has misappropriated property that belongs to the Debtor and has not provided reasonably equivalent value (or any value).

32. Through the actions described above and incorporated herein, BitMart has wrongfully exercised control over and deprived the Debtor of access to and enjoyment of assets that belong to the Debtor.

33. As a result of Defendant's actions, the Debtor's estate has suffered damages in an amount to be proven at trial, but in no event less than $1.474 million, plus interest, costs, and attorneys' fees incurred in pursuing its claims against BitMart.

34. The Debtor's estate is also entitled to punitive damages because BitMart's conduct was willful, intentionally fraudulent, and/or manifested a knowing and reckless indifference to and disregard of the Debtor's rights.

Third Cause of Action
(Disallowance of all Claims – Bankruptcy Code § 502(d) and (j))

35. The Trustee repeats, realleges and incorporates by reference all preceding paragraphs of this Complaint.

36. Pursuant to section 502(d) of the Bankruptcy Code, to the extent that defendant files a claim that will in the future be asserted in this Bankruptcy Case, that claim should be disallowed unless and until the Defendant has relinquished to the Trustee the property transferred, or have paid the Trustee the value of such transferred property, for which and to the extent the Court has determined the Defendant is liable pursuant to § 550 of the Bankruptcy Code.

Fourth Cause of Action
(Unjust Enrichment)

37. The Trustee repeats, realleges and incorporates by reference all preceding paragraphs of this Complaint.

38. As set forth above, Defendant received a benefit from the Debtor and Trustee, in that it was given access to and possession of the Withheld Tokens.

39. Defendant appreciated or had knowledge of the benefit.

40. The Debtor received no benefit or value in exchange for the benefit.

41. Defendants will be unjustly enriched if they are allowed to retain the benefit of the Withheld Tokens or their cash equivalent (not less than $1.474 million) if they have been liquidated.

42. It would be inequitable for Defendant to retain the benefit of the Withheld Tokens or their cash equivalent (not less than $1.474 million) if they have been liquidated.

43. Accordingly, the Trustee is entitled to a judgment of restitution against the Defendant restoring the Debtor's bankruptcy estate to its rightful position.

44. Alternatively, the Trustee is entitled to damages in an amount to be proven at trial, but in no event less than $1.474 million, plus interest, costs, and attorneys' fees incurred in pursuing its claims against BitMart.

PRAYER FOR RELIEF

WHEREFORE, the Trustee requests that this Court grant the following relief and enter a judgment against Defendant as follows:

1. Ordering immediate turnover of the Withheld Tokens to the Trustee pursuant to § 542 of the Bankruptcy Code;

2. Awarding damages equivalent to the value of the Withheld Tokens (not less than $1.474 million), interest and attorneys' fees, and punitive damages, for the conversion of the Debtor's assets.

3. Disallowing any future claims of the Defendant and/or its assignees, if they refuse to turn over the Withheld Tokens to the Trustee pursuant to § 502 of the Bankruptcy Code;

4. Awarding pre-judgment interest at the maximum legal rate pursuant to 28 U.S.C. § 1961 to the extent provided by law;

5. Awarding post-judgment interest at the maximum legal rate pursuant to 28 U.S.C. § 1961 from the date of judgment until paid in full; and

6. For any other relief the Court deems just and proper.

Dated: December 12, 2025

FOLEY & LARDNER LLP

/s/ David L. Mortensen _
David L. Mortensen
Geoffrey S. Goodman (admitted *pro hac vice*)

Counsel to Chapter 7 Trustee