

IN THE IOWA DISTRICT COURT FOR POLK COUNTY

<p>STATE OF IOWA, <i>ex rel.</i> BRENNIA BIRD, ATTORNEY GENERAL OF IOWA,</p> <p>Plaintiff,</p> <p>v.</p> <p>LUX VENDING, LLC (d/b/a Bitcoin Depot, Inc.); BITCOIN DEPOT OPERATING, LLC (d/b/a Bitcoin Depot),</p> <p>Defendants.</p>	<p>Equity No. _____</p> <p style="text-align: center;">PETITION</p>
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The Appendix filed as an attachment to this complaint is incorporated here by reference.

“It’s definitely interesting how we are selling a digital product. But the thing is when you can actually touch this machine, and know there is a real company behind it, versus just a random website that can vanish at any time- It gives you the sense of trust and credibility that this company is legitimate” -Interview with Brandon Mintz, CEO of Bitcoin Depot (available at <https://www.youtube.com/watch?v=M7VvbM04qnM>.)

Introduction

1. Fraudsters and scammers update their deceptive practices to reflect new technology. Here, Defendants are misusing the popular excitement around technologies like Bitcoin and other cryptocurrencies to unfairly and deceptively put Iowa consumers in harm’s way and take their piece of Iowans hard-earned money before sending the rest to scammers.
2. Cryptocurrencies are technologies often centered around recording transactions on a public register, or blockchain. The details of that technology can be complicated and nuanced. But what is not nuanced is using a veneer of association with cryptocurrencies to defraud consumers.
3. Defendants Lux Vending, LLC, and Bitcoin Depot Operating, LLC (collectively, “Bitcoin Depot”) profit when scammers profit because of the unfair and unsafe business practices easily allowing Iowans to send their money to scammers—with a kickback to Bitcoin Depot. So far, Iowa has identified more than \$7 million in fraudulent, scam payments processed through Bitcoin Depot.
4. A cryptocurrency kiosk is a physical kiosk or automated machine that allows consumers to insert physical cash to buy purely digital or virtual cryptocurrencies. Bitcoin Depot runs a type of cryptocurrency kiosk that it refers to as a Bitcoin ATM, or BTM. Bitcoin Depot’s BTMs—at issue in this Petition—allow consumers to buy Bitcoin—a specific cryptocurrency. BTMs allow a consumer to insert cash into the machine, convert that

cash into Bitcoin, and then send that Bitcoin to a “Bitcoin address” associated with a “digital wallet”—all for a fee(s).

5. A Bitcoin address can be thought of as an account holding all Bitcoin sent to it. Each Bitcoin address is (i) a string of letters and numbers and (ii) associated with a digital wallet. The owner of the digital wallet is the owner of each Bitcoin address associated with that wallet.
6. Although Bitcoin Depot states that it requires consumers to send Bitcoin they buy through a BTM to a Bitcoin address owned by the consumer, Bitcoin Depot regularly allows purchased Bitcoin to be sent to Bitcoin addresses owned by third parties.
7. Bitcoin Depot’s CEO Brandon Mintz said, “[c]ompared to many other crypto companies, we have delivered consistent year-over-year financial growth and profitability in an industry where that can be quite difficult to find.” That is because Bitcoin Depot does not profit from investing in Bitcoin as a valued digital asset.
8. Instead, Bitcoin Depot profits from the fees it charges to buy Bitcoin and send it to someone else. Bitcoin Depot gets paid when a scammer tricks an Iowan into using a BTM to send Bitcoin. Some scams that brutally victimize Iowans and send them to a BTM are: (i) romance scams-- sending Bitcoin to a fake love interest met online, (ii) law enforcement scams—sending Bitcoin to a fake sheriff or U.S. Marshal to avoid criminal charges or arrest, (iii) refund scams—sending Bitcoin to return the fake overpayment of a refund from a large company, or (iv) tech-virus scams—sending Bitcoin to save the consumer’s laptop from a fake virus.
9. Scam calls and text messages targeting Iowans (and all Americans), particularly the elderly, are on the rise. BTMs are one of the key tools used to scam Iowa consumers. And each successful scam using a BTM is revenue for Bitcoin Depot.
10. Bitcoin Depot is the largest cryptocurrency kiosk selling Bitcoin in North America. It has placed its BTMs at around 100 Iowa locations. Its machines can be found in small gas stations, large chain gas stations, convenience stores, and even grocery stores.

11. Bitcoin Depot knows scammers frequently send fraud victims to its BTMs, but it fails to take meaningful action to protect Iowa consumers. That is because it is not in Bitcoin Depot's economic interest to take meaningful actions to decrease fraudulent transactions. While Bitcoin Depot reaps profits from Iowa consumers who are the victims of fraud, Iowa consumers are embarrassed and even worse, face financial hardship, bankruptcy, social isolation, stress, or depression after being scammed into using BTMs. Consumers overwhelmingly fail to receive any consumer or competitive benefit from BTMs. Bitcoin Depot profits from every scam transaction completed—whether it denies a consumer a refund, a scam is completed and the embarrassed consumer does not even seek a refund, or the money associated with the transaction is not seized by law enforcement.
12. Bitcoin Depot's business model is so co-dependent on the success of scammers that there is likely no way to operate a profitable BTM in Iowa that is not an unlawful act under Iowa's Consumer Fraud Act. Bitcoin Depot even announced a 25% reduction in its revenue for the third quarter of 2024 as compared to the third quarter of 2023 because of "unfavorable legislation that was passed in California." That unfavorable legislation limited how much scammers and Bitcoin Depot could collectively extract from California consumers to \$1,000 per day.
13. Offering Iowans an unsafe money transfer service through a physical machine located in a gas station or vape shop to buy purely digital assets at unclear exchange rates and for high fees is not innovative or beneficial to consumers. Instead, it is an unlawful, "unfair practice" under the Act: "an act or practice which causes substantial, unavoidable injury to consumers that is not outweighed by any consumer or competitive benefits which the practice produces."
14. The Attorney General's Office has found that scam transactions processed through Iowa BTMs between October 10, 2021, and July 26, 2024, totaled at least \$7,243,991.
15. Bitcoin Depot profited from those scam transactions. Bitcoin Depot's policies for use of its BTMs do not adequately protect Iowa consumers or prevent scam transactions. Bitcoin Depot also fails to follow its own inadequate policies. The existing policies; lack of their enforcement; and lack of additional, needed safeguards create an environment

where the “substantial unavoidable injury to consumers” far outweighs any “consumer or competitive benefits” that BTMs offer (if any). Iowa Code § 714.16(2)(a).

16. Bitcoin Depot’s business model also employs deceptive practices in its Bitcoin pricing. The cost to purchase Bitcoin at a BTM is often much higher than the cost to purchase on a cryptocurrency exchange, and Bitcoin Depot does not want consumers to know the true cost. Bitcoin Depot hides the cost to BTM consumers in a way that has a “tendency or capacity to mislead a substantial number of consumers as to a material fact or facts.” Bitcoin Depot’s nominal fee of \$3.00 is clear, but an additional cost known as a “spread” increases the total fee to Iowa consumers to an additional amount up to 23% of the total transaction amount.
17. Bitcoin Depot harms Iowa consumers by deceptively designing its refund policy and misrepresenting the policy such that no consumer would know of or access it. Bitcoin Depot talks out of both sides of its mouth as it tells consumers there is no ability for a refund when they’ve been scammed while telling regulators concerned with fraud that it does have a refund policy in instances of fraud. Since 2021, hundreds of Iowans complained to Bitcoin Depot about using its BTMs due to being victims of scams. Bitcoin Depot largely denied these consumers relief and kept its share of the fraudulent proceeds.
18. At best, Bitcoin Depot is a willfully blind participant in the victimization of hundreds of Iowans. At worst, it is a silent partner to many scammers’ preying on Iowans, taking a cut of each scam with its excessive and deceptive BTM fees that are further paired with a lack of refunds.
19. The State seeks a preliminary and permanent injunction under the Act to (i) enjoin Defendants from engaging in the deceptive and unfair acts described in this Petition whether that be by (a) a permanent ban from doing business in Iowa or (b) placing additional safeguards and scam prevention requirements on the operation of BTMs in; and (ii) impose all other injunctive relief the Court finds equitable.

20. The State also seeks civil penalties, reimbursement, disgorgement, and other costs and fees permitted by the Act given Bitcoin Depot's deceptive and unfair conduct, which has harmed and continues to harm Iowa consumers.

I. Jurisdiction

21. This Court has jurisdiction over this matter under Iowa Code § 714.16(7).
22. This Court has jurisdiction over the Defendants under Iowa Code § 714.16 because they have transacted business within the state of Iowa at all times relevant to this complaint.
23. Polk County is the proper venue under Iowa Code § 714.16(10) because Defendants transact business in Polk County through numerous physical BTM locations in Polk County. Also, transactions that serve as the factual basis for this action occurred in and some victims reside in Polk County.

II. Parties

24. Plaintiff is the State of Iowa, *ex rel.* Brenna Bird, Attorney General of Iowa. Under Iowa Code § 714.16(7), the Attorney General may seek civil enforcement of the Iowa Consumer Fraud Act.
25. Defendant Lux Vending, LLC (d/b/a Bitcoin Depot, Inc.) is a for-profit entity incorporated in Delaware. It is headquartered in Georgia with its executive offices located at 3343 Peachtree Road NE, Suite 750, Atlanta, GA 30326. Lux Vending, LLC is registered with the Iowa Secretary of State to do business in the State of Iowa under business number 648043. The company lists its registered agent as "CORPORATION SERVICE COMPANY" located at 505 5th Avenue, Suite 729, Des Moines, IA 50309.
26. Bitcoin Depot, Inc. is a publicly traded company on the National Association of Securities Dealers Automated Quotations (NASDAQ) stock market, an American stock exchange based in New York City.
27. Defendant Bitcoin Depot Operating, LLC, is a foreign limited liability company registered to do business in the State of Iowa. According to public filings by Bitcoin Depot, Inc., Bitcoin Depot Operating, LLC, is a wholly owned subsidiary of BT HoldCo, LLC, of which Bitcoin Depot, Inc. is the sole managing member. Bitcoin Depot

Operating, LLC is registered with the Iowa Secretary of State to do business in the State of Iowa under business number 648043. The company lists its registered agent as “CORPORATION SERVICE COMPANY” located at 505 5th Avenue, Suite 729 Des Moines, IA 50309.

28. At all relevant times, Bitcoin Depot transacted business in Iowa by marketing, promoting, advertising, and offering for sale its services/products, including the sale of Bitcoin to Iowa consumers at Iowa locations.

III. Factual Allegations

29. Bitcoin Depot claims to be the largest cryptocurrency kiosk network selling Bitcoin in North America. As of November 2024, Bitcoin Depot purports to operate a network of more than 8,400 BTMs across the U.S., Canada, and Puerto Rico. From October 10, 2021, to July 26, 2024, the company operated approximately 118 BTMs in Iowa.
30. Bitcoin Depot uses retail partnership contracts to place its BTMs in national, regional, and independently owned convenience stores, grocery stores, liquor stores, and gas stations.
31. The company reported total annual revenue of \$688.97 million for 2023. Bitcoin Depot reports it has conducted at least \$2.4 billion in transactions since its inception, including at least [REDACTED] in Iowa between October 10, 2021 and July 26, 2024.
32. The Attorney General’s office has spoken to 34 of the top 50 Bitcoin Depot users in Iowa between October 10, 2021, and July 26, 2024, based on total transaction(s) size. All 34 confirmed they used Bitcoin Depot’s machines because of a scam. These individuals alone collectively represent over \$2.4 million in BTM transactions in Iowa.
33. The Attorney General’s office reasonably believes that amount will only grow as more consumers are contacted.
34. Also, based on an analysis of data provided from Bitcoin Depot and other data related to Bitcoin addresses and digital wallets, the Attorney General’s office has reason to believe that more than half of all money taken in by Bitcoin Depot in Iowa between October 10, 2021, and July 26, 2024, are transactions completed because of a scam.

A. BTMs and Scams Go Hand-in-Hand

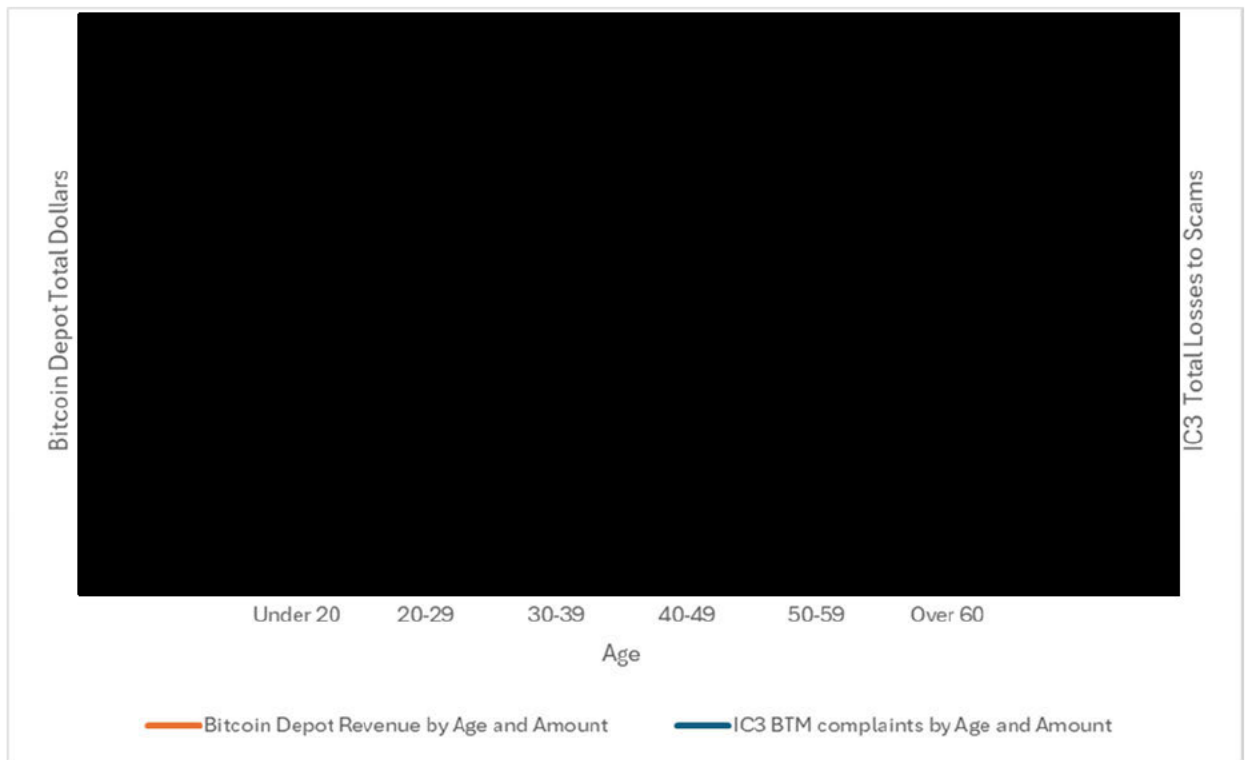
35. Cryptocurrency surged as a payment method for scams in recent years because it is portable and difficult to trace.
36. Widespread access to cryptocurrency kiosks including BTMs helps make this possible. Reported losses using cryptocurrency kiosks are overwhelmingly related to government impersonation, business impersonation, and tech-support scams. Fed. Trade Comm'n, *New FTC Data Shows Massive Increase in Losses from Bitcoin ATM Scams* (Sept. 2024), <https://www.ftc.gov/news-events/news/press-releases/2024/09/new-ftc-data-shows-massive-increase-losses-bitcoin-atm-scams>.
37. Since most fraud is not reported, these numbers likely represent only a fraction of the actual harm. One study showed only 4.8% of people who experienced mass-market consumer fraud complained to the Better Business Bureau or a government entity. See Keith B. Anderson, *To Whom Do Victims of Mass-Market Consumer Fraud Complain?*, at 1 (May 2021), https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3852323.
38. The Federal Trade Commission estimates that fraud losses at cryptocurrency kiosks have skyrocketed, increasing nearly tenfold from \$12 million in 2020 to \$114 million in 2023 and topping \$65 million in the first half of 2024.
39. In the first six months of 2024, the median reported loss was \$10,000 when using cryptocurrency kiosks, \$5,400 when cryptocurrency was the reported payment method (including reports with and without using cryptocurrency kiosks), and \$447 in general fraud cases. FTC data shows that older adults are less likely to report fraud than younger adults and have even higher individual median dollar losses. Fed. Trade Comm'n, *Protecting Older Consumers 2023-2024: A Report of the Federal Trade Commission*, at 17 (Oct. 18, 2024), https://www.ftc.gov/system/files/ftc_gov/pdf/federal-trade-commission-protecting-older-adults-report_102024.pdf. This is significant; as noted above, most Iowans using BTMs are age 60 or older.
40. The following chart, created by the FBI's Internet Crime Complaint Center, shows reported scams and losses increase with age.

USE OF CRYPTOCURRENCY KIOSKS REPORTED IN IC3 COMPLAINTS – 2023

Age Range	Complaints	Losses
Under 20	65	\$252,198
20 - 29	416	\$3,529,680
30 - 39	451	\$8,651,706
40 - 49	391	\$9,634,346
50 - 59	476	\$11,409,372
Over 60	2,676	\$124,332,127

Internet Crime Complaint Ctr., *2023 IC3 Annual Report: Cryptocurrency Report*, available at https://www.ic3.gov/annualreport/reports/2023_ic3cryptocurrencyreport.pdf.

41. Similarly, Bitcoin Depot’s transaction amounts increase by age as shown by the following chart that provides an overlay of what Iowa BTM transactions and IC3’s Reported Losses to Fraud look like when broken into the IC3 chart’s age brackets. As the chart shows, the trends for IC3 scam victims and Iowa BTM users closely and sadly align.



B. Bitcoin Depot Allows Pervasive Scam Transactions Across Iowa BTMs While Representing That BTMs Are Safe and Trustworthy

42. Contrary to its stated focus on fraud prevention, Bitcoin Depot’s records show its inability to prevent scam transactions processed through its Iowa BTMs. Bitcoin Depot’s internal data supports that Bitcoin Depot’s policies and BTMs are causing Iowa consumers “substantial, unavoidable injury” that far outweighs any consumer or competitive benefits. Iowa Code § 714.16(1)(i).
43. Bitcoin Depot stated to Vice Media on May 27, 2018, “Bitcoin Depot has outstanding compliance policies and strives to go above and beyond all know your customer (KYC) and monitoring requirements at its ATMs.” *Bitcoin ATM’s Could Be Coming to a Gas Station or Vape Store Near You (HBO)*, VICE News (May 29, 2018), <https://www.youtube.com/watch?v=M7VvbM04qnM>.
44. Bitcoin Depot CEO Brandon Mintz stated the company’s central objective is to “safely, securely, bring Bitcoin to the masses.” *Crypto ATM Provider Bitcoin Depot Announces Nasdaq Listing for July 3*, CRYPTOSLATE (July 2, 2023), <https://cryptoslate.com/crypto-atm-provider-bitcoin-depot-announces-nasdaq-listing-for-july-3/>.
45. Bitcoin Depot knows that many of the transactions it is asked to process are coerced or unwilling transactions initiated by or at the behest of scammers. In a recent SEC filing, the company stated:

Our risk management efforts may not be effective, which could expose us to losses and liability and otherwise harm our business.

We offer payments and other products and services to a large number of users. We have programs designed to vet and monitor these users and the transactions we process for them as part of our risk management efforts, **but such programs require continuous improvement and may not be effective in detecting and preventing fraud and illegitimate transactions.** When our services are used to process illicit transactions, and we settle those funds to users and are unable to recover them, we suffer losses and liability. Additionally, illicit transactions can also expose us to governmental and regulatory enforcement actions.

The highly automated nature of, and liquidity offered by, our services make us and our users a target for illegal or improper uses, including scams and fraud directed at our users, fraudulent or illegal sales of goods or services, money laundering, and terrorist financing. **Our risk management policies, procedures, techniques, and processes may not be sufficient to identify all risks to which we are exposed, to enable us to prevent or mitigate the risks we have identified, or to identify additional risks to which we may become subject in the future.**”

(emphasis added) Bitcoin Depot Inc., Form 10-K Annual Report for the Period Ended December 31, 2023, available at <https://ir.bitcoinodepot.com/sec-filings/all-sec-filings/content/0000950170-24-044405/btm-20231231.htm>.

46. Mintz wrote in a February 14, 2024, article that “as the crypto industry shifts toward more regulatory compliance, it also looks to increase fraud prevention measures. These efforts include improving consumer protection protocols, mitigating risks, and enhancing transparency.” Brandon Mintz, *Opinion: Changing Regulatory Dynamics for Bitcoin ATMs*, BITCOIN MAG. (Feb. 14, 2024), <https://bitcoinmagazine.com/legal/changing-regulatory-dynamics-for-bitcoin-atms>. According to Mintz, “there is a concerted effort to provide as much security as possible to BTMs and other crypto-related financial services.” Id.
47. Despite Bitcoin Depot’s public-facing statements about its concern for fraud or scams, reality paints a different picture. [REDACTED]
[REDACTED]
[REDACTED]
48. Bitcoin Depot’s records include many other obvious warning signs of fraud, including:
 - a. *Bitcoin Depot’s consumer base is overwhelmingly older.* As noted below, older adults are more likely to be targeted for scams, more likely to lose large sums of money, and less likely to report their losses. [REDACTED]
[REDACTED] Bitcoin Depot has not reasonably questioned why so many older Iowans use its service. It has not implemented any policies to protect this vulnerable population. And it is not true in Iowa that Bitcoin Depot’s purported target user—people without bank accounts or that want to send remittances abroad—are the typical user. Instead, the typical Iowa Bitcoin Depot

customer is 60 or older, does not remit money to family abroad, and does not lack banking services. Whether intended or not, Bitcoin Depot’s typical user in Iowa is a scam victim.

b. *Many Bitcoin Depot users have multiple accounts.* [REDACTED]

[REDACTED]

[REDACTED] VoIP providers are known tools for scammers and allow individuals to far more easily circumvent Bitcoin Depot’s anti-money laundering and know your customer rules. *See FTC Warns 19 VoIP Service Providers That ‘Assisting and Facilitating’ Illegal Telemarketing or Robocalling Is Against the Law*, FTC Press Release (Jan. 30, 2020), <https://www.ftc.gov/news-events/news/press-releases/2020/01/ftc-warns-19-voip-service-providers-assisting-facilitating-illegal-telemarketing-or-robocalling>.

[REDACTED]

c. *Multiple Bitcoin Depot users sent money to the same Bitcoin address.* Anyone who knows the string of numbers and letters for a Bitcoin address can send Bitcoin to that address. Bitcoin Depot makes users verify that they own and control the Bitcoin address to which they send Bitcoin. Its website states, “Bitcoin Depot ATMs are to be used for personal purchases of cryptocurrency. Once your crypto reaches your digital wallet, you can send crypto to anyone else’s wallet using the Bitcoin Depot app.” Bitcoin Depot, *Can I Send Money to Someone Through a Bitcoin ATM?*, <https://bitcoindepot.com/faq/>.

It further explains, “Unlike cash in a bank account, you hold the keys to where your Bitcoin is held. It is virtually impossible for someone else to access your Bitcoin wallet unless they have your wallet’s credentials. For this reason, it is crucial that you keep your wallet information private.” Bitcoin Depot, *Should I send Bitcoin to a Stranger?*, <https://bitcoindepot.com/faq/>. [REDACTED]

[REDACTED]

- d. *Users that have a large amount of Bitcoin addresses are connected to multiple wallets.*

[REDACTED]

e. *Bitcoin Depot ignores red flags related to email.* [REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

C. Bitcoin Depot’s Policies Are Insufficient to Address the Known Issues Related to Scams

- 49. Bitcoin Depot has several policies and programs related to fraud including, but not limited to, its “Compliance Program,” its “Know Your Customer Policy,” and its “Enhanced Due Diligence Policy.” These programs failed to adequately and effectively detect and prevent consumer fraud and scam transactions processed through BTMs.
- 50. In addition to its anti-fraud program, Bitcoin Depot is required by the Bank Secrecy Act to have an effective anti-money laundering (“AML”) program to prevent money laundering. 31 C.F.R. § 1022.210.
- 51. That prevention responsibility includes, but is not limited to, the flow of illicit funds, such as funds derived from fraud. As part of its AML program, Bitcoin Depot has developed “Know Your Customer” guidelines and policies along with policies and procedures for monitoring transactions, customers, and agent activity for risks, including suspicious activity.
- 52. AML legal requirements are distinct from compliance responsibilities under Iowa’s Consumer Fraud Act. But all policies implemented under the umbrella of AML have failed in preventing Bitcoin Depot’s business acts and practice from causing “substantial, unavoidable injury” to Iowa consumers. Those policies are either inadequate or ineffective due to Bitcoin Depot’s failure to enforce and follow the policies. Either way, Bitcoin Depot’s money-transfer system is an unfair or deceptive act or practice that is unlawful under Iowa’s Consumer Fraud Act.

53. [REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

[Redacted text block]

[Redacted text block]

54. [Redacted text block]

55. Bitcoin Depot's policy is designed to process transactions even when it has enough information to determine the transaction is fraudulent. [Redacted text]

[Redacted text block]

D. Bitcoin Depot Fails to Address Red Flags and Allows Scam Transactions to Run Rampant

56.

[REDACTED]

57.

[REDACTED]

[REDACTED]

58.

[REDACTED]

59.

[REDACTED]

[REDACTED]

[REDACTED]

60.

[REDACTED]

61.

[REDACTED]

[REDACTED]

62.

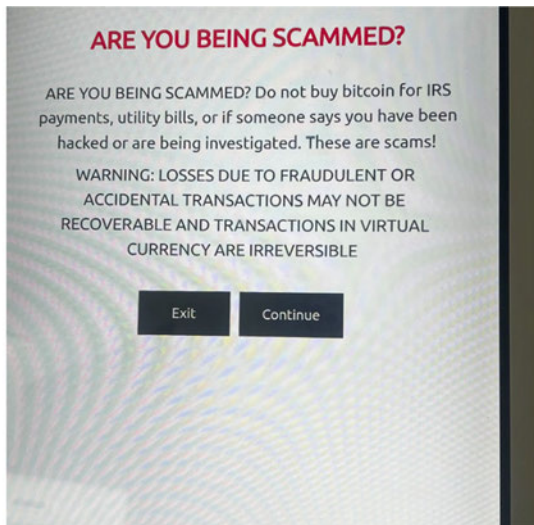
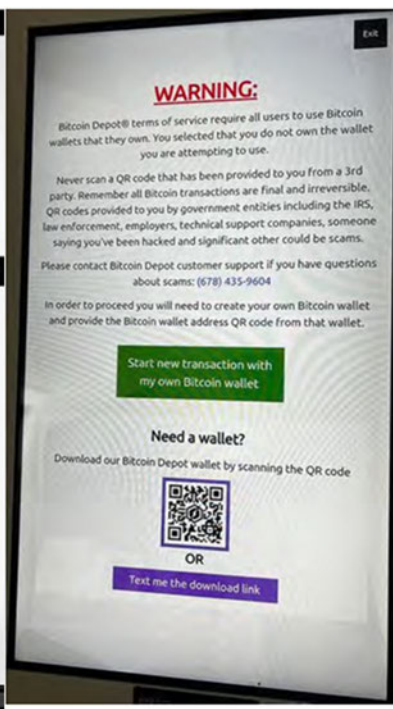
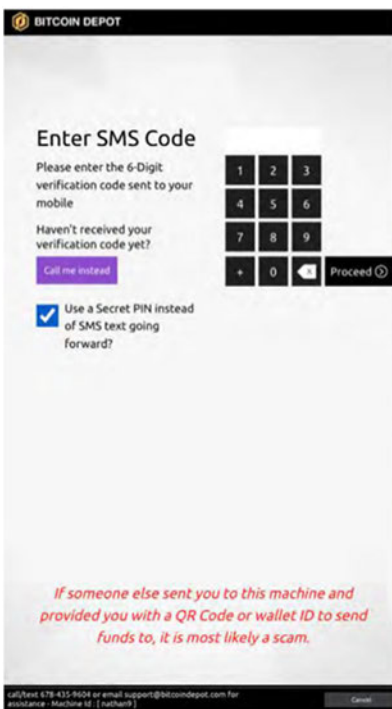
Repeating the same ineffective warnings and references to the Terms of Service is less effective than Bitcoin Depot’s approach to those it suspects to be scam victims. Blocking the wallet does little to help the scam victim, as scammers often have dozens of wallets at their disposal and can send the victim a new address. [REDACTED]

[REDACTED]

E. Bitcoin Depot’s Warnings are Ineffective at Preventing Scam Transactions

63.

Bitcoin Depot’s primary method of preventing Iowa scam victims from using a BTM is to place onscreen warnings and sticker warnings on the machine. Below are examples of the warnings taken from a letter addressed to the State of California from Mark J. Smalley, Bitcoin Depot’s Chief Compliance Officer, (Jan. 12, 2024), <https://dfpi.ca.gov/wp-content/uploads/sites/337/2024/02/Bitcoin-Depot-1.12.24.pdf>:

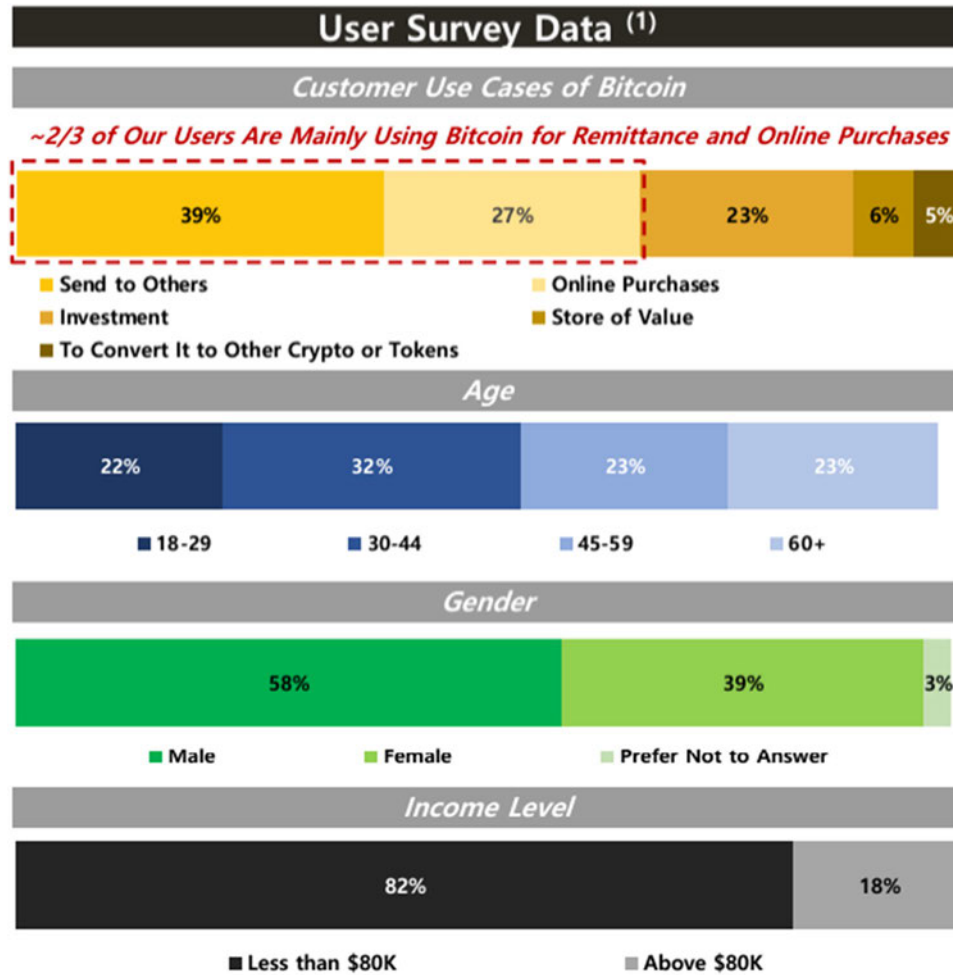


64. These warnings are insufficient to protect Iowa scam victims and Bitcoin Depot knows it. A review of the best studies on warnings, shows that scammers disrupt a person’s ability to reason and in the moment warnings often fail. *A Review of Scam Prevention Messaging Research, Federal Trade Commission*, available at https://consumer.ftc.gov/system/files/consumer_ftc_gov/pdf/A%20Review%20of%20Scam%20Prevention%20Messaging%20Research.pdf.
65. Bitcoin Depot only needs to look at its data as the proof is in the pudding. The sheer volume of transactions confirmed as scams to date show this method is ineffective. Also, even red flag scenarios trigger some of the warnings above Bitcoin Depot allows the customer in those scenarios to enter a different address and complete the transaction. Bitcoin Depot does not call to speak with its customers to prevent a scam even in most scenarios raising a red flag.
- F. The Demographic Markets in Iowa for Scam Victims and BTMs Are Older Iowans**
66. Bitcoin Depot competes with online exchanges, which sell consumers Bitcoin at a significantly lower net cost than Bitcoin Depot’s BTMs. The primary competitive advantages Bitcoin Depot touts over online exchanges are that BTMs (i) don’t require a bank account, (ii) allow individuals to use cash, and (iii) process the transactions more quickly. The company also promotes its usefulness in helping immigrants remit money. See Bitcoin Depot Blog, *Crypto Remittance and Bitcoin ATMs: The Unbanked’s New Bank*, October 22, 2024, <https://bitcoindpot.com/bitcoin-atm-info/crypto-remittance-and-bitcoin-atms-the-unbankeds-new-bank/>.
67. Bitcoin Depot’s website states, “Bitcoin Depot was founded in 2016 with the mission to connect those who prefer to use cash to the broader, digital financial system.” Bitcoin Depot, *Company Information*, <https://ir.bitcoindpot.com/company-information>
68. In a May 2018 interview with Vice Media, Bitcoin Depot’s founder and CEO Brandon Mintz stated he does not have exact metrics on demographics, but “it’s really diverse, I mean there’s low-income people using the machines because it’s a better source of money transfer than Western Union. There are investors going to the machine...” *Bitcoin ATM’s Could Be Coming to a Gas Station or Vape Store Near You (HBO)*, VICE NEWS (May 29, 2018), <https://www.youtube.com/watch?v=M7VvbM04qnM>.

69. In a December 2020 interview, Mintz stated the “majority of the demographic” for Bitcoin Depot services was “more in that lower middle-income range. Blockworks Macro, *Bringing the Unbanked into the Financial World W Brandon Mintz of the Bitcoin ATM Empire*, YouTube (Dec. 29, 2020), <https://www.youtube.com/watch?v=W8gJRkSDNIA>.
70. He stated in the same interview that many people who are underbanked and unbanked prefer to use cash, so we try to focus on those areas. Additionally, Mintz, acknowledged that BTM users are unlikely to be “super sophisticated” and that the very sophisticated users would most likely use online exchanges. *Id.*
71. According to the FDIC, the unbanked represent 3% of Iowa’s households. Most of these households are single parent, non-home owning, and or non-US citizens. Federal Deposit Insurance Corporation, *FDIC National Survey of Unbanked and Underbanked Households*, <https://www.fdic.gov/household-survey>.
72. When asked a similar question about demographics during a 2023 interview, Mintz stated, “There’s really three different buckets I like to break it into.”
- a. The first “bucket,” is made up of people who just prefer to use cash. An important part of this group, according to Mintz, are the underbanked and unbanked.
 - b. The second bucket is filled with, “anyone who wants pure convenience and doesn’t mind paying a markup.” Mintz explains, “maybe they got fed up waiting on verification on an exchange.”
 - c. The third bucket, is “baby boomers.” Mintz explains, “As crypto has been adopted more and more, the baby boomer demographic has come into play as well, so you have people who aren’t that great with technology, they don’t want to try and figure out how to use an online exchange, and they want a familiar experience, something they can see touch and feel, that gives them a lot more comfort than just completing the transaction through the website. Especially with all the news that came out the last year, a lot of people may feel you go to a website to buy bitcoin, they could just disappear or say, ‘hey we’re not allowing withdrawals.’ You go to a BTM, you are getting your bitcoin essentially instantly. There’s a lot less to worry about.” Thinking Crypto, “Brandon Mintz Talks Bitcoin Depot ATMs, Going Public in 2023, Bitcoin Adoption & Bear Market,” <https://www.youtube.com/watch?v=LUnt2AgCIDk>.

73. Bitcoin Depot submitted the following chart to California regulators, created from data obtained from an internal survey of 625 BTM users conducted between August 15, 2022, and December 15, 2022: Letter from Mark J. Smalley, Chief Compliance Officer, Bitcoin Depot, to the State of California (Jan. 12, 2024),

<https://dfpi.ca.gov/wp-content/uploads/sites/337/2024/02/Bitcoin-Depot-1.12.24.pdf>.



74. While Bitcoin Depot tells California that its business model depends on younger individuals, lower-income individuals, and a large volume of users, Bitcoin Depot’s data tells a different story.

75. In Iowa, Bitcoin Depot’s business model depends on a small number of high-volume users and its primary audience is, in fact, older individuals with significant assets. [REDACTED]

[REDACTED]

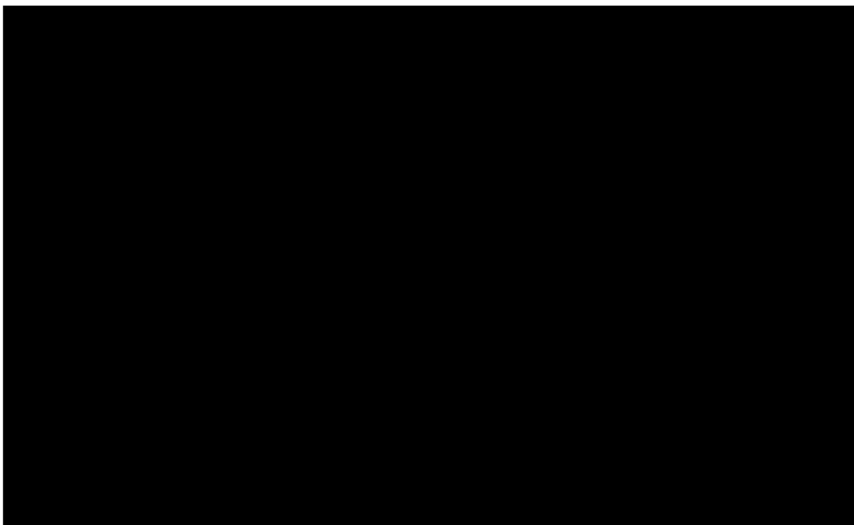
[REDACTED]

[REDACTED]

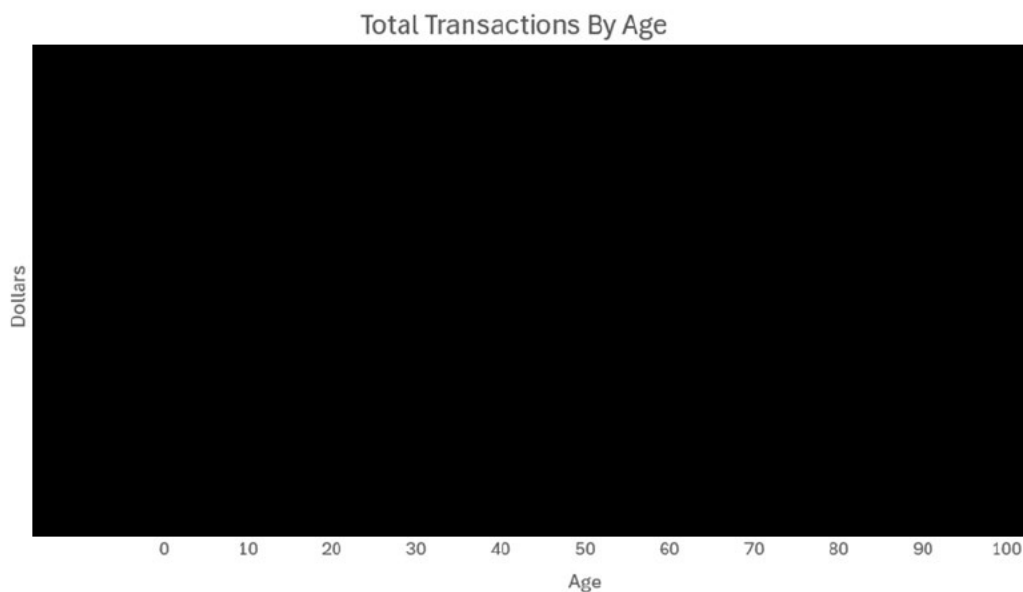
[Redacted]

[Redacted]

76. Contrast the California data with Iowa. The chart below shows the percentage of Iowans who used a BTM by age group for the period of October 10, 2021, to July 26, 2024.



77. Bitcoin Depot's dependency on older Iowa consumers is clearer when shown as the total amount of money placed into machines by Iowan consumers based on age.



78. Older Iowans use BTMs the most. [Redacted]

[Redacted]

[REDACTED]

[REDACTED] Coincidentally, the FTC reports that the average loss for scam victims to BTMs is approximately \$10,000. Emma Fletcher, *Bitcoin ATMs: A payment portal for scammers*, FTC (Sept. 3, 2024), <https://www.ftc.gov/news-events/data-visualizations/data-spotlight/2024/09/bitcoin-atms-payment-portal-scammers>.

G. Bitcoin Depot’s Profitability in Iowa Depends on Iowa Scam Victims

79. Bitcoin Depot could do more to prevent scam transactions, but such policies would reduce its profits:

a. *Bitcoin Depot Underutilizes Bitcoin Tracking Capabilities.* Inherent in Bitcoin is the ability to track Bitcoin transactions, as every transaction is recorded in the currency.

[REDACTED]

b. *Bitcoin Depot Fails to Use its Machine’s Surveillance Abilities.* Each BTM has an internet-connected video camera that can be accessed by Bitcoin Depot remotely. [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

c. *Bitcoin Depot does nothing to protect elderly populations.* Bitcoin Depot has no policies designed to assist or protect Iowans aged 60 or over (its most prevalent users) from fraud. One example of a potential protective policy is to call older customers before they use the machine. Other cryptocurrency kiosk companies have such a policy. In fact, while one company stopped an older Iowan from processing a scam transaction through its machine, Bitcoin Depot processed \$15,000 (over two transactions) for that same Iowan, sending \$11,525 to a scammer and retaining about \$3,475 in fees and transaction costs. App. 1.

d. *Bitcoin Depot Does Not Want Stores to Stop Scams.* Store clerks could be a key line of defense against fraud. [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED] More recent contracts actually prohibit a store from preventing a scam transaction; the store must agree that [REDACTED]

[REDACTED]

[REDACTED] A store clerk or manager must stand by and witness an older Iowan placing his or her hard-earned cash into a BTM that is destined for the scammer's and Bitcoin Depot's pockets.

H. Bitcoin Depot Profits From Iowa Scam Victims

80. [REDACTED]

[REDACTED] Under Bitcoin Depot's newest terms of service published in January 2025, its cut of transactions processed through BTMs may reach 50% of the total transaction amount.

81. In a competitive landscape with multiple direct competitors who charge far less and alternative methods of buying bitcoin such as exchanges that charge even less, Bitcoin Depot has doubled its rates over night. It can only do this because its users are (i) unaware of the charges being assessed, (ii) using its services involuntarily as part of a scam, or (iii) both. Even Bitcoin Depot admits this is too much money to charge, stating to California regulators that it "believes that a 28% fee cap and \$15,000 daily transaction limit support economic growth in California while allowing kiosk operators to invest in meaningful compliance efforts." *Letter addressed to the State of California from Mark J. Smalley, Bitcoin Depot's Chief Compliance Officer, (Jan. 12, 2024),*<https://dfpi.ca.gov/wp-content/uploads/sites/337/2024/02/Bitcoin-Depot-1.12.24.pdf>.

82. Though it is difficult to know exactly how much revenue Bitcoin Depot received in Iowa due to the deceptive way Bitcoin Depot conflates transaction costs and fees, [REDACTED]

I. Bitcoin Depot Hides the True Cost of Using a BTM From Iowa Consumers

83. Bitcoin Depot engages in deceptive practices to conceal what it really charges an Iowa consumer to buy Bitcoin, including by:

- a. Combining both its online and BTM services in one Terms of Service document, so BTM users find it harder to determine which sections apply to them.
- b. Calling the product a “Bitcoin ATM” and charging a \$3 service fee, which confuses consumers into thinking they are paying only \$3.
- c. Burying any explanation of the total actual fees (currently “up to 23%” and averaging close to that at more than 22%) on page 20 of 47 in the Terms of Service.
- d. Displaying information on screens and receipts in a way that obscures the true cost of the service.

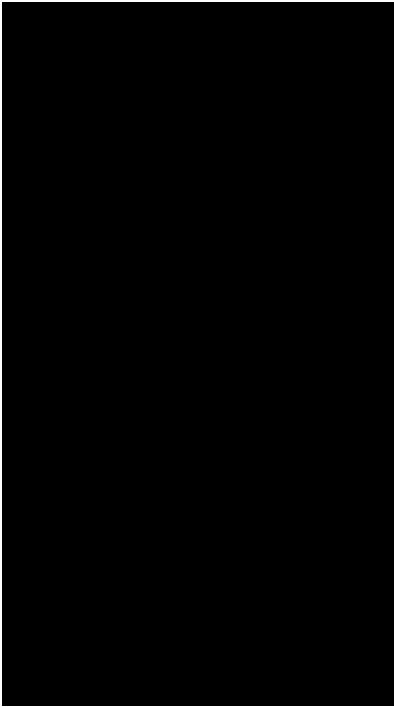
84. The cost of a product or service is a material term to a transaction. Bitcoin Depot hides that material term related to its BTMs transactions in fine print that is confusing and designed to go unnoticed by Iowa consumers. Bitcoin Depot interacts with Iowa consumers in three ways: at a BTM, online, and through the Bitcoin Depot app. Bitcoin Depot’s Terms of Service are different for each service, but rather than have separate terms of service for each, Bitcoin Depot combines all three into one document. This forces consumers to scan an array of terms in an attempt to understand which may apply to their transaction. It is one of the reasons Bitcoin Depot’s Terms of Service document is 47 pages and 12,500 words. Assuming an average reading speed of 300 words per minute, it would take a person about 41 minutes to read the entire document.

85. The Terms of Service is the only place where Bitcoin Depot discloses its true fee structure, which it does on page 20 of 47.

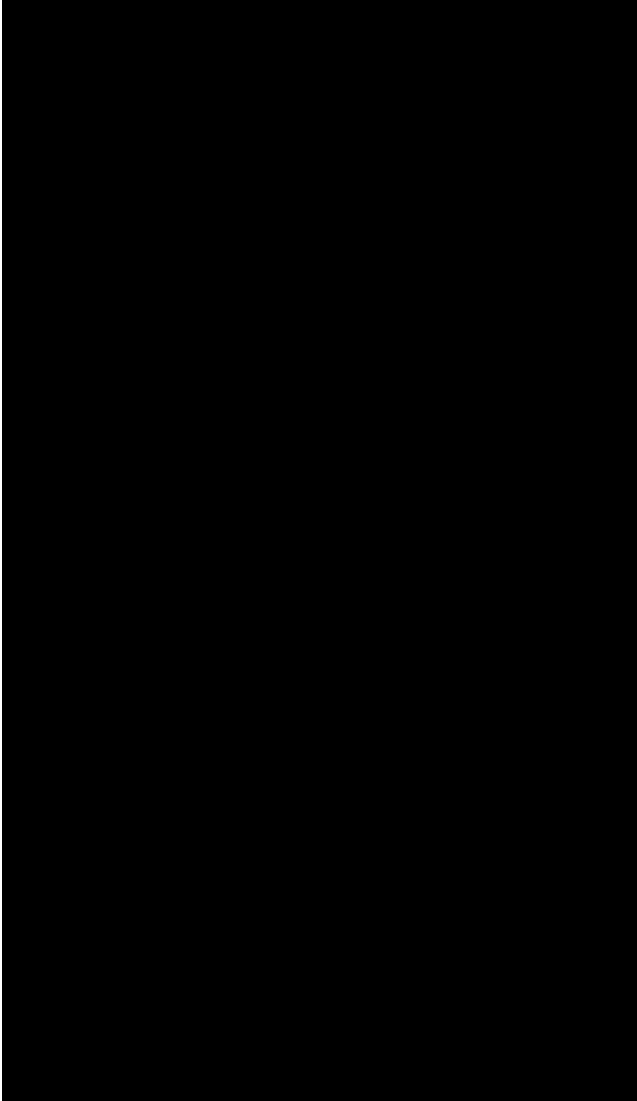
86. Bitcoin Depot’s Terms of Service are regularly updated, but the document in effect for most of October 10, 2021, to July 26, 2024, included this:

Exchange Service Fee. A service fee shall be applied to all exchange transactions and such fee will be communicated to the Customer prior to confirmation of the transaction. The transaction value and service fees are calculated/quoted in "USD" for U.S. Dollar transactions and may be calculated/quoted in USD equivalents for transactions in all other currencies, or in the currency of the transaction. The service fee will be a flat fee of three dollars [\$3.00] and Bitcoin Depot shall charge a spread of up to twenty three percent [23%] of the total transaction amount calculated in USD. The spread refers to the difference between the cash inserted into the kiosk and the current market value of Bitcoin received, excluding the \$3.00 flat fee. App. 96-97.

87. Bitcoin Depot hides the true cost of its service in the "spread." [REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
88. Consumers were unaware of the amount of money Bitcoin Depot charged them to use BTMs or believed that they paid a small service fee. Bitcoin Depot deceives consumers by obfuscating an excess charge known as the spread that is hidden within Bitcoin Depot's Terms of Service and is not clearly relayed to Iowa consumers even after the transaction is completed.
89. The following images demonstrate how Bitcoin Depot hides the cost of purchasing Bitcoin, and the images are taken from Bitcoin Depot training documents, unless otherwise noted.



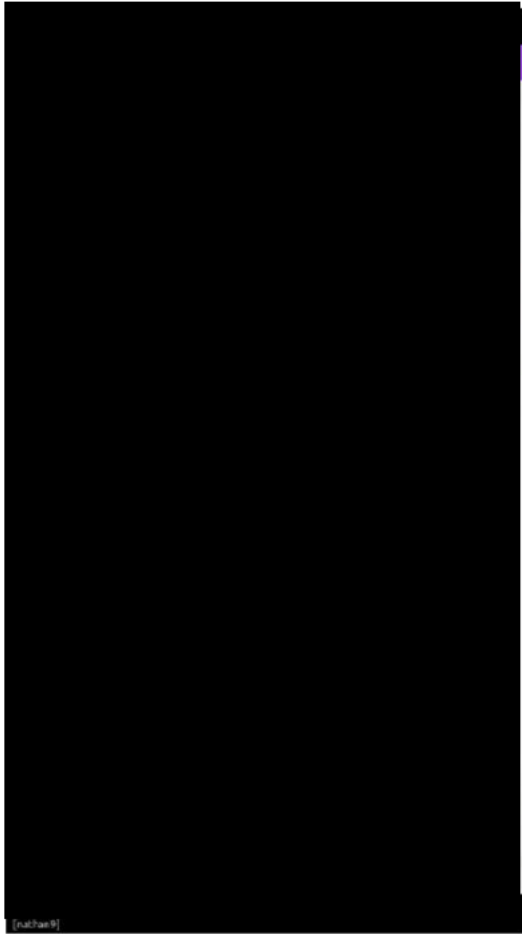
90. The first screen asks the consumer “How much would you like to buy today?” and gives him or her a range of options. The choices offered are: \$20-\$250, \$251-\$2,999, or \$3,000-\$15,000.
91. Consumers then must enter their “mobile number” and agree to the terms and conditions.



92. Consumers have the option of scrolling through the 47-page Terms of Service viewed through a narrow portion of the overall screen, or they can click “I accept these terms and conditions.”
93. This design makes reading the Terms of Service tedious and difficult and skipping the experience of reading easy. Even the choice to place the terms of service on a black background with white font contributes to the overall design goal of stopping the consumer from reading the document.
94. After accepting the terms and entering a phone number, consumers must provide additional verifications depending on the money level the consumer wishes to send.
95. For transactions under \$250, the machine requires a name, phone number, and email address. Level 2, for transactions between \$251 and \$3,000, adds a requirement scanning an ID with

the machine. Finally, Level 3, including transactions between \$3,001 and \$15,000 requires a picture of the front and back of the ID and a social security number. The BTM is supposed to automatically send a link to consumers to verify their ID.

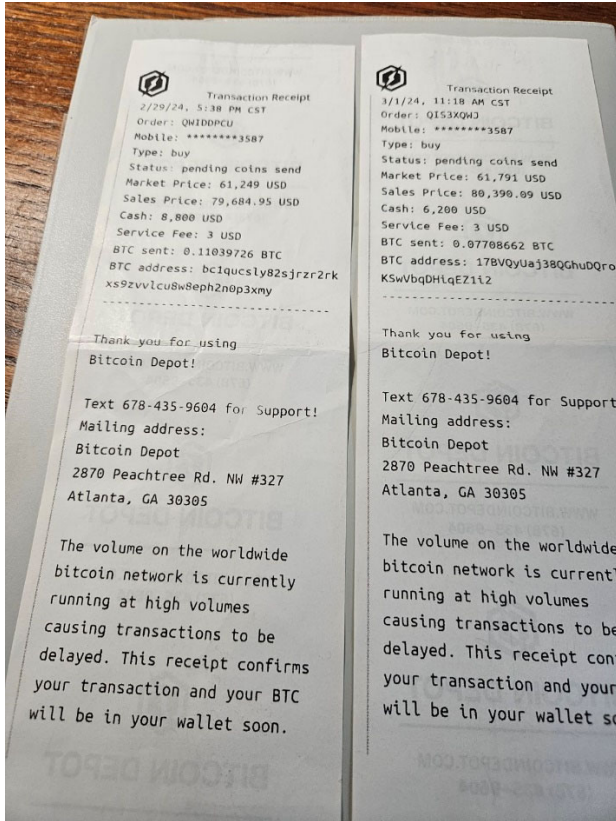
96. Consumers may then insert cash.



97. The above, example from Bitcoin Depot’s training materials, also includes instructions for what customer service representatives should say to the consumer if assisting a transaction remotely. In the example, the user put in \$60 into the machine, which shows he or she is about to purchase 0.00171722 BTC. On the top right of the screen is the transaction limit, the “service fee” of \$3 and “1 BTC 33,193.10 USD.” This is not the market price of Bitcoin at the time of the sale, but the Bitcoin Depot sales price of Bitcoin (with the extra charge of a spread included). Though noted in the above photo from Bitcoin Depot’s training manual, this feature no longer appears during BTM transactions – further obscuring the true cost of the transaction to consumers.



98. The above example (which again includes the addition of a customer service representative script that is not present on the actual machine) shows that when consumers complete the transaction, they can choose to print a receipt. The screen displays only the cash inserted and the Bitcoin sent.
99. One confirmed scam victim provided the following picture of his receipts:



The relevant portions of the receipt located on the left states:

Transaction Receipt

2/29/24, 5:38 PM CST

Order: QWIDDPCU
Mobile: *****3587
Type: buy
Status: pending coins send
Market Price: 61,249 USD
Sales Price: 79,684.95 USD
Cash: 8,800 USD
Service Fee: 3 USD
BTC Sent: 0.11039726 BTC
BTC address: bc1qucsly82sjr2rkxs9zvvlcu8w8eph2n0p3xmy

100. The Iowa consumer's receipt lists a "Market Price," which he was supposed to know is the market price of one Bitcoin. He was given a "Sales Price" which he is supposed to know is the price at which Bitcoin Depot is selling one Bitcoin. The receipt then lists the cash the consumer is putting into the machine, the service fee ("3 USD"), and finally the amount of Bitcoin sent and where it was sent.
101. Assuming the Iowa consumer read and understood the terms of conditions, the only way for the Iowa consumer to know how much Bitcoin Depot charged in total fees is to go through the following steps:
 - a. Multiply the market price (\$61,249) by the BTC Sent (0.11039726). This tells the consumer that the present-day value of the Bitcoin he has purchased is \$6,761.72.
 - b. Subtract \$6,761 from the inserted cash amount (\$8,800) to obtain the total fee amount retained by Bitcoin Depot of \$2,038.28.
 - c. The Iowa consumer knows there is a \$3 flat fee, so he subtracts that from the total fee amount of \$2,038.28 to know the Iowa consumer paid (i) a \$3 service fee, plus (ii) an extra charge equal to \$2,035.28.
 - d. The extra charge of \$2,035.28 (which is the spread) is equal to slightly more than 23% of his total money inserted.
102. Bitcoin Depot has taken recent steps to make this even less clear. Recent consumer receipts from BTMs provided to the Attorney General's office do not include the market price. The machines also no longer come with the option of printing a receipt instead opting to text consumers a link to a digital receipt.
103. Bitcoin Depot does not express the full cost of its service as a US dollar amount on the screen and receipt, as many of its competitors do, because consumers would be less likely to use its service. This lack of transparency becomes even more important for Iowa scam victims who are often unfamiliar with Bitcoin values and directed by scammers to use BTMs. Scammers often use threats and emotional manipulation to fluster their victims and place them in a heightened emotional state. They then instruct the victims to skip screens quickly, not giving them time to read the 47-page Terms of Service or warnings on the screen. Many victims say they were unaware of the prices Bitcoin Depot charged, and if they had known, they would have further questioned the transaction and may not have put money into the machine.

J. Bitcoin Depot Hides the Cost of Using a BTM Behind Iowans' Experience with ATM Fees

104. Bitcoin Depot's use of the term "Bitcoin ATM" in its marketing and advertising further deceives consumers about its fees. People associate the term "ATM" with the more common bank automated teller machines that often charge a small service fee for its use. Consumers assume that the \$3 service fee prominently displayed on the Bitcoin Depot ATM screen is similar a regular ATM fee. In that way, consumers are tricked into thinking the \$3 is the extent of the fees they must pay.
105. Bitcoin Depot encourages this confusion. In a recent blog post on its website entitled "Bitcoin ATMs vs. Traditional ATMs," the company states about traditional ATMs: "Many ATM-specific businesses allow users like you to grab cash on the go for a small fee. In fact, the total ATM market is estimated at a value of \$24 billion." The article goes on to compare traditional ATMs and Bitcoin ATMs, discussing items like functionality, transaction types, accessibility, and regulatory framework. Conspicuously absent from the article is a cost comparison of using a Bitcoin ATM, despite mentioning the low fees associated with traditional ones. The post concludes, "Bitcoin ATMs and traditional ATMs represent distinct yet interconnected facets of the financial landscape. As financial technology continues to evolve, the interplay between these two types of ATMs signals a dynamic shift in how individuals interact with and understand the concept of money in the digital age." Bitcoin Depot, *Bitcoin ATMs vs. Traditional ATMs* (last updated Jan. 10, 2025), <https://bitcoindpot.com/bitcoin-atm-info/bitcoin-atms-vs-traditional-atms/>.
106. Bitcoin Depot recently updated the Exchange Service Fee portion of its Terms of Service to say that the spread will range between 17.3% and 50% of the total transaction. The same document notes that these fees "may be significantly greater than other available options for converting fiat currency to Digital Currency." Bitcoin Depot, *Terms and Conditions*, <https://bitcoindpot.com/terms-and-conditions/>.

K. Bitcoin Depot's Internal Training Documents Show Bitcoin Depot Wants to Hide Its Total Fees

107. Bitcoin Depot's internal training documents reveal that if a consumer asks about fees, customer service representatives are to say, [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED] This lack of transparency means Iowa consumers and Iowa scam victims may never realize how much of the cash they insert into a BTM that Bitcoin Depot keeps.

108. If asked why its service costs so much, Bitcoin Depot customer service representatives are told to give [REDACTED]

109. [REDACTED]

110. When victims do not realize that Bitcoin Depot currently retains between 17.3% and 50% of their money, they are more likely to continue to use the machine and less likely to request a refund from Bitcoin Depot—an intentional design choice that protects Bitcoin Depot’s profits and the flow of Bitcoin to scammers.

L. Bitcoin Depot Lies to Iowans About Its Refund Policy

111. Bitcoin Depot keeps a separate “secret” refund policy that is only accessible through law enforcement and does not inform consumers of its existence.

112. If consumers read Bitcoin Depot’s publicly available “Refund Policy” (last updated 10/30/23), they will see, in bold:

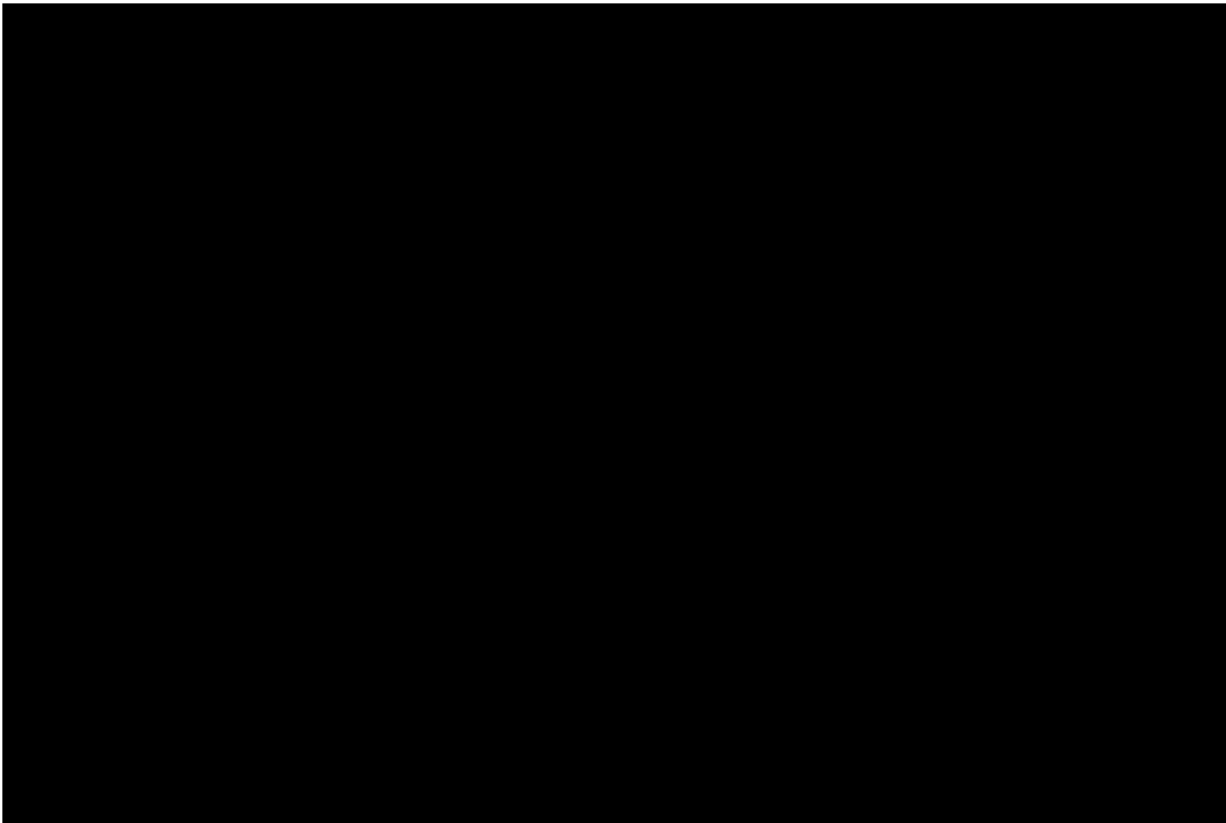
“Completed transactions and transactions to a wallet that you do not control are not eligible for a refund.”

Bitcoin Depot, *Refund Policy*, <https://bitcoindepot.com/refund-policy/>.

113. Likewise, the Terms of Service states:

Moreover, Customer acknowledges that Bitcoin Depot cannot retrieve or return any funds (including, but not limited to, cryptocurrencies) once sent to the designated address and, therefore, Bitcoin Depot does not provide any refunds after such point. Bitcoin Depot, Terms and Conditions, <https://bitcoindepot.com/terms-and-conditions/>.

114. At any rate, Bitcoin Depot’s official “Consumer Refund Policy,” [REDACTED]



[REDACTED]

115. Bitcoin Depot at no point informs consumers of the existence of this hidden refund policy despite the policy's stating, [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

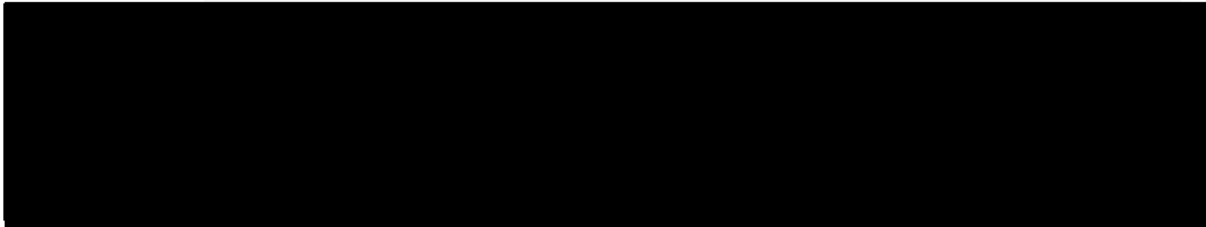
[REDACTED]

116. If Iowa consumers ask how much they can get back, or makes any inquiries about refunds, the document tells the customer representative to say: [REDACTED]

[REDACTED]

[REDACTED]

And it continues:



Id.

117. It is unclear how consumers are expected to know or use Bitcoin Depot’s refund policy, and it is unclear whether law enforcement is aware that its involvement is necessary for any refund.

118. Of the Iowa consumers the Attorney General’s office has interviewed who tried getting a refund from Bitcoin Depot, very few have been successful. Some report being told that all transactions are final. Others read online that no refunds are available. Many reported their scams to police and were not given a refund.

119. [Redacted]

120. Bitcoin Depot often denies refunds based on company policies that consumers do not know and cannot access. For example, one individual provided the company with a picture, a scam-related document, a receipt, a police report, and a letter from the Lyon County Sheriff’s Department. Bitcoin Depot’s analysis shows that the deposits occurred close to the victim’s home address, the amount alleged to have been scammed matches the police report, and the report is consistent with a “hacked” scam. The individual reported the scam to police on April 25, 2024, the day of the transaction. Yet the officer did not report the fraud to Bitcoin Depot within its secret 30-day reporting window, and thus Bitcoin Depot retained all funds related to this obvious victim of fraud. *Id.*

121. Bitcoin Depot cannot afford to advertise refunds or give refunds to all Iowa scam victims using its BTMs without sacrificing its profitability.

IV. Violations of the Iowa Consumer Fraud Act

122. Under the Act:

The act, use or employment by a person of an unfair practice, deception, fraud, false pretense, false promise, or misrepresentation, or the concealment, suppression, or omission of a material fact with intent that

others rely upon the concealment, suppression, or omission, in connection with the lease, sale, or advertisement of any merchandise or the solicitation of contributions for charitable purposes, whether or not a person has in fact been misled, deceived, or damaged, is an unlawful practice.

Iowa Code § 714.16(2)(a).

123. Bitcoin Depot sells merchandise as defined by the Act. *Id.* Merchandise “includes any objects, wares, goods, commodities, intangibles, securities, bonds, debentures, stocks, real estate or services.” *Id.* § 714.16(1)(e). BTMs provide money transmitter services as well as sell Bitcoin, which could be considered a good, commodity, or intangible under the Act.

124. Bitcoin Depot has and is engaged in an “unfair practice, deception,” and “misrepresentation” as follows:

A. Selling Bitcoin Through a Kiosk That Allows for Prevalent Scam Transactions is an Unfair Practice

125. Bitcoin Depot’s practice of selling Bitcoin through its BTMs in a manner that allows for prevalent scam transactions to be processed constitutes an “unfair practice” that is unlawful under Iowa Code § 714.16(2). An “unfair practice” is defined as an act or practice which causes substantial, unavoidable injury to consumers that is not outweighed by any consumer or competitive benefits which the practice produces.” Iowa Code § 714.16(1)(i).

126. The amount of money for the period of October 10, 2021, to July 26, 2024, processed through Iowa BTMs related to confirmed scam transactions totaled a staggering \$7,243,991. This number is only expected to grow as the Attorney General’s office has only been able to contact or confirm data related to \$7,418,024 of the total \$18,816,893 of transactions processed during the above period.

127. Bitcoin Depot’s policies comprise a paradigmatic “unfair practice.” BTMs are causing “substantial, unavoidable injury” to Iowa consumers. Iowans are losing their life savings, going bankrupt, getting depression, and a myriad of other injuries because of BTMs.

128. The injuries caused by BTMs far outweigh any consumer or competitive benefits under any equitable weighing test. Any benefit in the vast pile of scams, high transaction fees, and hidden refund policies is scant. Bitcoin Depot’s expressed goal extending

cryptocurrency access to the unbanked or helping people send money abroad is not the typical case in Iowa.

129. BTMs that operate under Bitcoin Depot's current policies and practices that allow BTMs to primarily operate as a gateway for scammers violate Iowa consumer protection laws. Bitcoin Depot BTMs create a path to financial ruin for Iowans, and especially older Iowans. Bitcoin Depot's deficiencies include, but are not limited to, failing to take timely, appropriate, and effective action to detect and prevent fraud-induced money transfers through its BTM system, as described above.
130. Bitcoin Depot knows that its BTMs are frequently used by scammers to defraud older and vulnerable Iowa consumers, both within this State and elsewhere, but it does not institute adequate safeguards relate to BTM operations to prevent scam transactions that could avoid "substantial, unavoidable injuries" to Iowa consumers.
131. Rather, Bitcoin Depot continues to employ practices related to BTMs that are akin to putting a loaf of bread known to be poisonous on the store shelf with a warning label slapped on to avoid liability. Both are unlawful under the Iowa Consumer Fraud Act and both cause "substantial, unavoidable injuries" that are not outweighed by consumer or competitive benefits.
132. Bitcoin Depot's practice of selling Bitcoin through a BTM in a manner that allows for prevalent scam transactions is a violation of the Act. The State is entitled to civil penalties of up to \$40,000 per violation of the Act under Iowa Code § 714.16(7). There is a violation with respect to each BTM located in Iowa.

B. Bitcoin Depot Deceived Iowans About the Price of Bitcoin Purchased Through BTMs

133. Bitcoin Depot's practices of failing to conspicuously present Iowa consumers with either the price of Bitcoin or the fees they pay, hiding the terms regarding the cost of Bitcoin and fees in lengthy, complex documents with inapplicable terms, and instructing its customer service representatives to evade and misdirect questions about cost are deceptive acts or practices that are unlawful under the Act.
134. "Deception" under the Act is "an act or practice which has the tendency or capacity to mislead a substantial number of consumers as to a material fact or facts." Iowa Code § 714.16(1)(c). The price of a good or service is a material fact.

135. Bitcoin Depot only advertises the \$3.00 service fee associated with its BTMs in a clear and conspicuous manner. The extra charge known as the “spread” that Bitcoin Depot charges is hidden and made unclear to Iowa consumers.
136. Additionally, Bitcoin Depot buries its extra charge in its Terms of Service and does not provide an example to Iowa consumers of how to calculate the charge themselves. It takes sophisticated math skills to back into determining the total fees associated with the purchase of Bitcoin BTM.
137. Bitcoin Depot does not even offer clear information to an Iowa consumer about how it determines how much Bitcoin will be delivered.
138. Bitcoin Depot further muddies the water by instructing its customer service representatives to evade and misdirect the few Iowa consumers who may realize there are additional fees.
139. Bitcoin Depot’s deception regarding the pricing and fees associated with the purchase of Bitcoin through a BTM is a violation of the Act. The State is entitled to civil penalties not to exceed \$40,000 per violation of the Act under Iowa Code § 714.16(7). There is a violation with respect to each BTM located in Iowa. There is also a violation for each version of Bitcoin Depot’s Terms of Service delivered to Iowa consumers, and a violation for the practice of customer service representatives in deceiving Iowa consumers on the telephone.

C. Bitcoin Depot Misrepresents to Iowa Consumers Its Refund Policy

140. Bitcoin misrepresents the existence of its refund policy in certain circumstances to Iowa consumers.
141. Bitcoin Depot tells Iowa consumers it does not have a refund policy in certain cases such as transactions where Bitcoin is sent to a Bitcoin address not owned by the Iowa consumer. This is false; it does have a refund policy that can be applied in those instances to return Bitcoin or cash to Iowa consumers.
142. Bitcoin Depot’s misrepresentation regarding its refund policy violates the Act. The State is entitled to civil penalties of up to \$40,000 per violation of the Act under Iowa Code § 714.16(7). There is a violation with respect to each BTM located in Iowa.

D. Bitcoin Depot’s Refund Policy Is Deceptive

- 143. Bitcoin Depot’s refund policy and its implementation of the policy is deceptive and unlawful under the Act as both have a “tendency or capacity to mislead a substantial number of consumers” as to the material fact of obtaining a refund to which the Iowa consumer is entitled.
- 144. Bitcoin Depot instructs its customer service representatives to avoid explaining that there is a refund policy and how it works. Bitcoin Depot does not explain to the consumer that she needs to involve law enforcement on a specific timeline to be entitled to receive a refund under the refund policy. Indeed, none of the necessary components to get a refund are conveyed to consumers.
- 145. Bitcoin Depot actively tries to hide its refund policy from Iowa consumers and takes steps to deceive Iowa consumers as to a material fact or facts.
- 146. Bitcoin Depot’s deception regarding its refund policy violates the Act. The State is entitled to civil penalties of up to \$40,000 per violation of the Act under Iowa Code § 714.16(7). There is a violation with respect to each BTM located in Iowa. There is also a violation for the practice of customer service representatives in deceiving Iowa consumers on the telephone.

E. Bitcoin Depot’s Violations of the Act Were Committed Against Iowa Consumers Sixty Years of Age or Older

- 147. The violations alleged in this Petition were committed against “older individuals” as defined under Iowa Code § 714.16A—those who are “sixty years of age or older.” *Id.*
- 148. The State is thus entitled to additional civil penalties of up to \$5,000 for each violation of the Act that was committed against an older individual.

V. Conclusion and Prayer

The State of Iowa, *ex rel.* Attorney General Brenna Bird, requests that the Court render judgment in the State’s favor and:

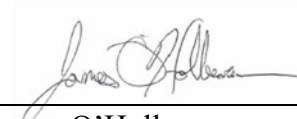
- A. Declare that Defendants have engaged in misrepresentations, deceptions, and unfair practices against Iowa consumers in violation of the Iowa Consumer Fraud Act, Iowa Code § 714.16, *et seq.*;

- B. Preliminarily and permanently enjoin Defendants from engaging in the deceptive and unfair acts described in this Petition whether that be by (i) a permanent ban from doing business in Iowa; (ii) placing additional safeguards and scam prevention requirements on the operation of BTMs in Iowa; or (iii) any other injunctive relief the Court deems necessary and equitable;
- C. Adjudge the Defendants liable for civil penalties of \$40,000 for each violation of the Iowa Consumer Fraud Act;
- D. Adjudge the Defendants liable for additional civil penalties of \$5,000 for each violation of the Iowa Consumer Fraud Act committed against an older individual; and
- E. Order the Defendants to reimburse the full transaction amounts—including but not limited to the full cash or card amount processed through a BTM—to all Iowa consumers who (i) purchased Bitcoin through a BTM because they were a scam victim, (ii) would have been entitled to a refund under Bitcoin Depot’s written refund policy, or (iii) attest they did not understand the total fees or price of Bitcoin at the time of their BTM transaction;
- F. For all Iowa consumers entitled to reimbursement who cannot be located through reasonable efforts, order the Defendants to disgorge all related funds and property they acquired from those Iowa consumers through misrepresentations, deceptions, and unfair practices, and award the funds and property to the State to be used by the Attorney General under Iowa Code § 714.16(7);
- G. Award the State its costs and fees under Iowa Code § 714.16(11), including expert-witness expenses; costs incurred in pursuing this action and investigation, including reasonable attorneys’ fees; and prejudgment and post-judgment interest at the highest lawful rates; and
- H. Grant all other relief necessary or appropriate to remedy the effects of Defendants’ acts or to which the State may be entitled.

Date: February 26, 2025,

Respectfully submitted,

BRENNA BIRD
ATTORNEY GENERAL



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