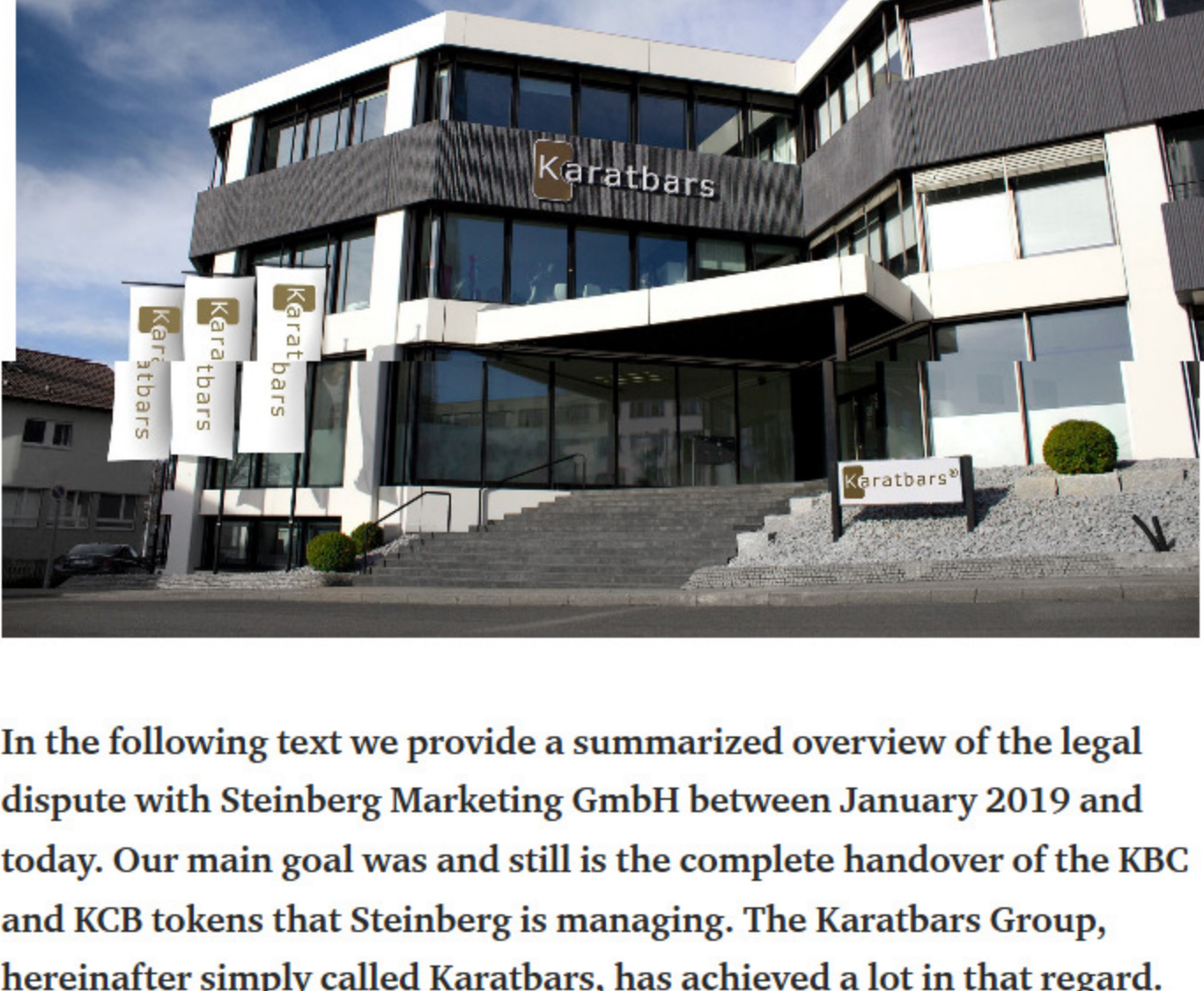


Karatbars: Legal dispute with Steinberg Marketing GmbH

Harald Seiz Follow
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In the following text we provide a summarized overview of the legal dispute with Steinberg Marketing GmbH between January 2019 and today. Our main goal was and still is the complete handover of the KBC and KCB tokens that Steinberg is managing. The Karatbars Group, hereinafter simply called Karatbars, has achieved a lot in that regard. However, the dispute is not over yet.

The background

In December 2017, it was agreed that Marvin Steinberg would organize an Initial Coin Offering (ICO), i.e. the sale of blockchain-based digital tokens, on behalf of Karatbars. The programming of the tokens was the responsibility of the Steinberg Marketing GmbH. Only Marvin Steinberg, the Managing Director of Steinberg Marketing GmbH, had access to the technical access points and, thus, the tokens. The ICO took place between 15.02.18 and 19.04.18 via the websites karatgold.sg and karatgold.io.

Karatbars operated karatgold.sg and concluded sales contracts directly with customers via this website. The ICO and revenue collection was trouble-free on this part.

Simultaneously, the Steinberg Marketing GmbH sold additional KBC tokens via the website karatgold.io, which the company operated. It was responsible for accepting the customers' orders, processing the payments as well as forwarding them to Karatbars, and, finally, transferring the acquired KBC tokens to the customers. The payments were made using the cryptocurrencies Bitcoin and Ether as well as a payment service provider. There were massive problems and inconsistencies that led to disputes in early 2019 — initially out of court, but later judicially.

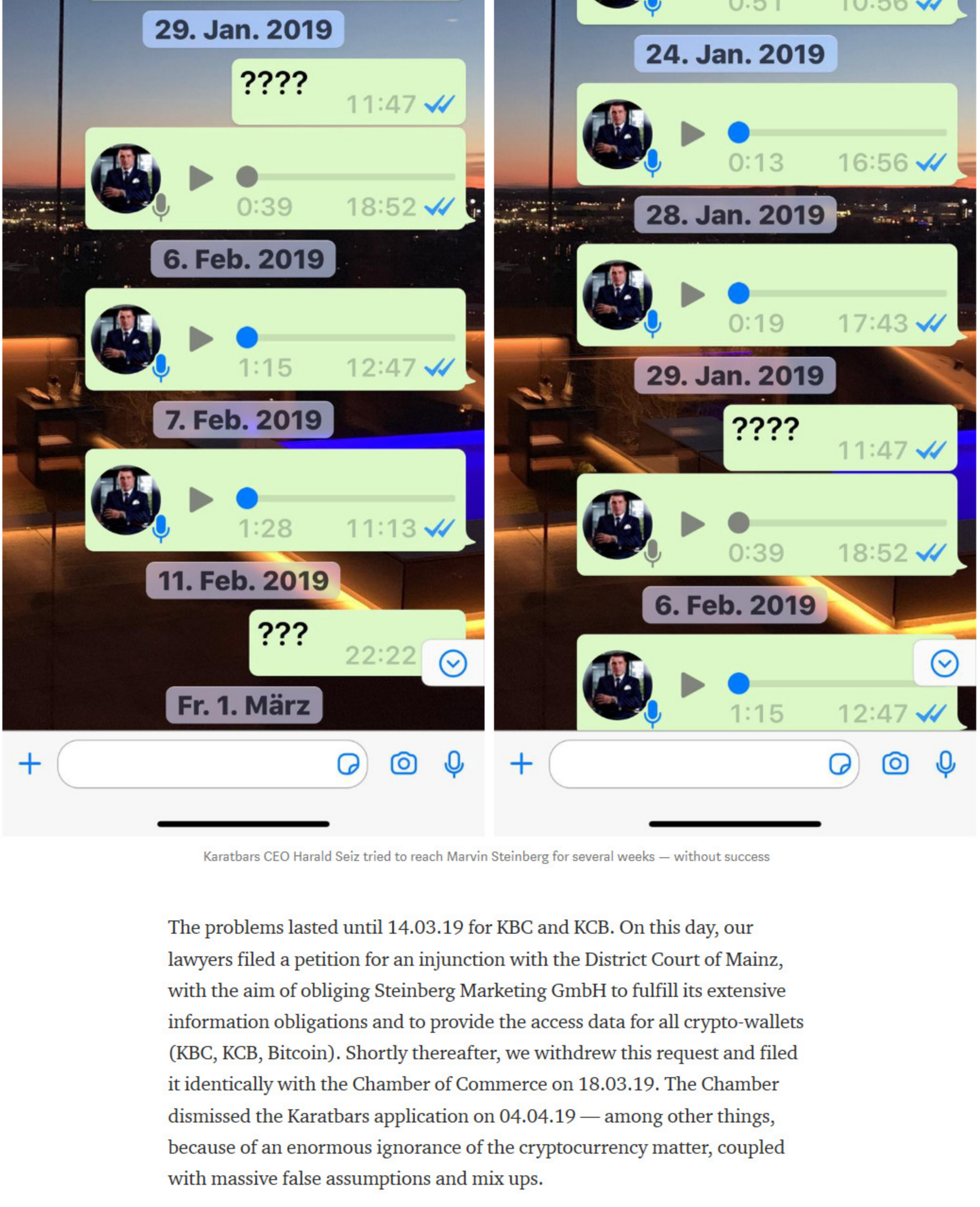
The reason for this was that Karatbars — despite rudimentary information provided by Steinberg, for instance screenshots, did not have complete insight into how much revenue was generated (in Bitcoin and Ether) via the website of Steinberg Marketing GmbH. Additionally, the company had not forwarded the collected revenue (Bitcoin and Ether) to Karatbars. An exception are minor amounts that Steinberg used for services to be paid by us (e.g. advertising / marketing). Until then, Steinberg Marketing GmbH held the private keys for the KBC Wallet it manages and for the wallets holding the collected Bitcoins and Ethers.

In addition, the Steinberg Marketing GmbH has not fulfilled or not properly fulfilled its obligations to process the ICO (in particular receiving customer orders, receiving and recording payments, and paying out the right number of acquired tokens). Consequence: Hundreds of customers did not receive their acquired and paid KBC tokens at all or not completely. On the other hand, some customers received more KBC tokens than they should have. And, in other cases, customers were left in the dark about the status of their purchase.

After the Steinberg Marketing GmbH had assured us that the technical problems were solved and we had not received new negative reports from our customers, Karatbars initiated a second ICO for the cryptocurrency KCB in July 2018. Once again, it was up to the Steinberg Marketing GmbH to program the token and to partly execute the ICO via its website Karatcoinbank.io. With this second ICO, Steinberg once again had sole access to the tokens. And again, there were a lot of similar difficulties. In addition, there was a lack of information about the time and date of purchase of the coins — which, in turn, is important to determine the tiered bonus payments that the buyers were entitled to.

Karatbars and Steinberg Marketing GmbH split

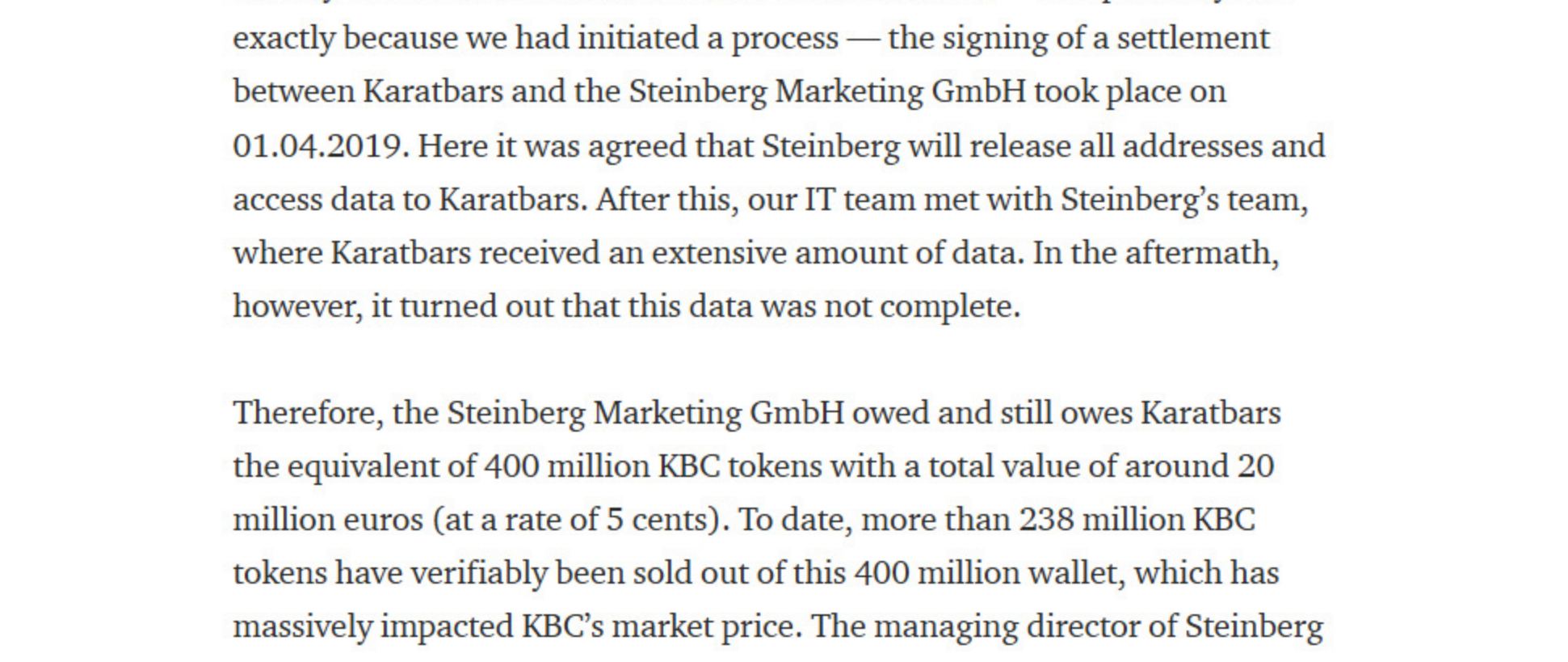
Because of the ongoing problems, in January 2019, we agreed to settle amicably. However, shortly after this agreement, Marvin Steinberg did not reach out to us any more and he also didn't respond to numerous messages.



Karatbars CEO Harald Seiz tried to reach Marvin Steinberg for several weeks — without success

The problems lasted until 14.03.19 for KBC and KCB. On this day, our lawyers filed a petition for an injunction with the District Court of Mainz, with the aim of obliging Steinberg Marketing GmbH to fulfill its extensive information obligations and to provide the access data for all crypto-wallets (KBC, KCB, Bitcoin). Shortly thereafter, we withdrew this request and filed it identically with the Chamber of Commerce on 18.03.19. The Chamber dismissed the Karatbars application on 04.04.19 — among other things, because of an enormous ignorance of the cryptocurrency matter, coupled with massive false assumptions and mix ups.

Our lawyers filed an appeal against this decision on 18.04.19, whereupon a hearing took place on 09.05.19.



Shortly before the trial at the District Court of Mainz — and probably also exactly because we had initiated a process — the signing of a settlement between Karatbars and the Steinberg Marketing GmbH took place on 01.04.2019. Here it was agreed that Steinberg will release all addresses and access data to Karatbars. After this, our IT team met with Steinberg's team, where Karatbars received an extensive amount of data. In the aftermath, however, it turned out that this data was not complete.

Therefore, the Steinberg Marketing GmbH owed and still owes Karatbars the equivalent of 400 million KBC tokens with a total value of around 20 million euros (at a rate of 5 cents). To date, more than 238 million KBC tokens have verifiably been sold out of this 400 million wallet, which has massively impacted KBC's market price. The managing director of Steinberg Marketing GmbH, Marvin Steinberg, claims — from our point of view, contrary to the truth — that his company fulfilled all requirements.

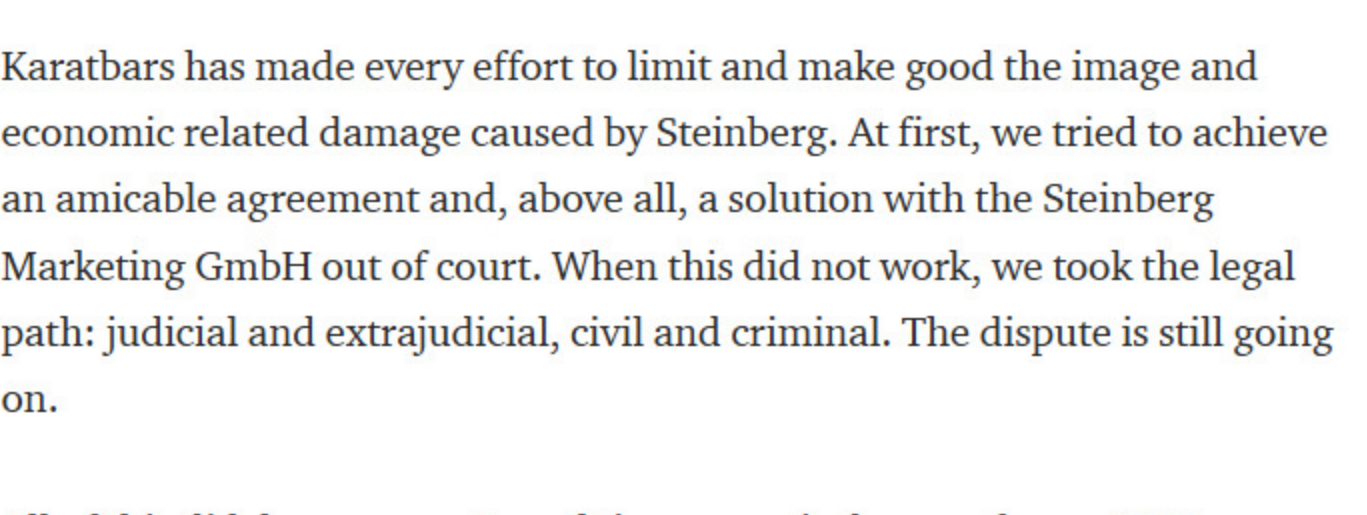
The District Court of Mainz finally dismissed the appeal (which was still about a temporary injunction) on 22.05.2019 and forwarded it to the Koblenz Higher Regional Court, which rejected the appeal on 03.07.19, essentially referring to the settlement agreement from 01.04.2019, which was, however, not implemented in the sense of Karatbars.

Criminal lawsuits against Steinberg

This was the civil law part, which, from our point of view, is completed. However, as the subject matter is allegedly fraud and infidelity, the dispute then went on to be investigated under criminal law. Above all, under the impression of the disobeyed agreement from the closed settlement — our lawyers filed criminal charges with the Stuttgart Public Prosecutor's Office against Marvin Steinberg for suspected fraud in serious cases and suspicion of infidelity on 17.04.19. It is about Steinberg possessing a wallet with 400 million KBC tokens, which he still did not hand over to Karatbars to this day.

At the beginning of public trading, the KBC had a respective value of 5 cents and, thus, a total worth of 20 million euros. At the same time, according to our information, at least one other company or person filed criminal charges against Marvin Steinberg for similar allegations. On 19.06.19, the public prosecutor of Stuttgart announced the admission of the procedure requested by us. The investigations are underway.

We assume that the public prosecutor will bring charges against Steinberg Marketing GmbH and its CEO Marvin Steinberg after completing the investigation. The state of affairs as it is found here can not be clearer in our view. It's about fraud — or, more simply, the theft of 400 million tokens.



Karatbars has made every effort to limit and make good the image and economic related damage caused by Steinberg. At first, we tried to achieve an amicable agreement and, above all, a solution with the Steinberg Marketing GmbH out of court. When this did not work, we took the legal path: judicial and extrajudicial, civil and criminal. The dispute is still going on.

All of this did, however, not result in economic damage for our ICO customers. Because all buyers — who bought the KBC tokens directly from us — did so in the pre-sale or sale phase. Depending on when they bought, a KBC cost half a cent or one cent (USD cents). In addition, depending on the purchase volume and time of purchase, there were bonuses of up to 60 percent in the form of KBC tokens. With a vesting period of one year, buyers received an additional bonus of 35 percent. Therefore, with today's status, each of these buyers has made a profit and every buyer has also received his or her coins.

KBC was even temporarily valued at 12 cents and more on crypto