

Georgia Attorney Embroiled in Alleged \$4M Bitcoin Fraud

A federal judge has frozen multiple trust accounts of Georgia attorney Diana McDonald and ordered her to turn over a slew of financial records and communications.

Judge Mike Brown, U.S. Court of Appeals for the Northern District of Georgia (Photo: John Disney/ALM)

A federal judge in Atlanta has issued a temporary restraining order against a Gwinnett County attorney and the bank where she housed her law firm trust accounts in what appears to be an international fraud case involving bitcoin sales.

Judge Mike Brown of the U.S. District Court for the Northern District of Georgia issued the March 8 order after GSR Markets Limited—an international trader in digital assets—sued after it wired over \$4 million to Suwanee attorney Diana McDonald to buy bitcoin it never received, according to court documents.

Brown said in his order that McDonald shifted GSR's escrowed funds into other accounts, including her own operating accounts for the payment of "alleged fees."

"It is apparent that defendant McDonald has dissipated funds and is unlikely to have sufficient funds to satisfy a subsequent judgment absent this relief," Brown wrote.

GSR, based in Hong Kong, also sued Wells Fargo—where McDonald banked, and Florida-based Valkyrie Group and Valkyrie principals Hugh and Brandon Austin, who acted as sellers of the bitcoin their firm was to purchase from another company. That company is identified in court records as Alivic Corp. The purchase agreement listed McDonald as the closing attorney for the deal.

McDonald is a sole practitioner in Suwanee—a town of less than 20,000 people 23 miles northeast of Atlanta. McDonald advertises online as handling wrongful death and personal injury cases, wrongful detention shoplifting cases, bankruptcy reorganizations, probate cases, as well as business acquisitions, escrow services and corporate and contract law.

Brown's order froze McDonald's multiple firm fiduciary trust, or IOLTA, accounts and directed McDonald to immediately pay GSR Markets \$310,000, which is all that remains of more than \$1.6 million GSR is still owed for the never completed bitcoin sale. GSR has been able to recoup only \$2 million of its \$4 million initial deposit from McDonald after repeatedly emailing and calling the lawyer, according to a complaint and motion for a restraining order filed March 1. The complaint alleges that McDonald kept or disbursed the remainder of GSR's escrowed funds.

The suit also claims that Wells Fargo "failed to take even basic steps to protect GSR Markets' money. When

alerted to the disappearance of GSR's funds, "Wells Fargo, rather than investigate or show any concern as to the missing funds, vouched for McDonald, which only led to more delays and allowed the money trail to go cold," the suit said.

In his March 8 order, Brown directed Wells Fargo to "take reasonably necessary and appropriate action" to ensure that the \$310,000 McDonald was ordered to give GSR will clear.

Brown also barred McDonald from stopping the payments. Should McDonald fail to deliver the funds, Brown directed Wells Fargo to wire the money from her IOLTA accounts to GSR's Atlanta law firm. GSR is represented by **Richard Robbins**, **Vincent Russo** and **Heather Huggins Sharp** of **The Robbins Firm**.

Brown also barred McDonald from disbursing any money "in any way related" to nearly \$1.7 million that she will still owe GSR in the event her client—Alivic Corporation of Australia and the supposed source for the bitcoin at issue—wired her additional funds. And he barred McDonald "from spending, using, or disbursing any of the GSR escrowed funds."

Brown also ordered the attorney to surrender financial records, emails and other communications related to GSR's wire transfer. He also ordered McDonald to surrender bank statements for all of her operating and IOLTA accounts. Brown noted that, in addition to the Wells Fargo accounts, McDonald had three additional IOLTA accounts at two other banks.

McDonald's counsel, James Ward Howard in DeKalb County, acknowledged Tuesday that, while there appears to be "a fraudulent scheme" at play, he insisted McDonald "is as much a victim as anyone else."

Wells Fargo counsel Brent Hitson at Burr & Forman in Birmingham, Alabama, referred requests for comment to a bank spokeswoman who said, "We do not believe the claims in the complaint have merit and will vigorously defend the suit."

No attorney has entered an appearance for Valkyrie or the Austins.

Robbins labeled the disappearance of more than \$1.6 million as "clearly just a fraud."

"In the crypto age, it's easy to do. The money is so vast," he said. The failed bitcoin transaction was initiated after GSR "was approached by a broker based in Malta, who allegedly had a huge seller based in Australia, who had teamed up with a broker in Florida," Robbins said. "That's not unusual in the crypto world, where brokers, seller and buyers are often based overseas."

GSR's initial \$4 million bitcoin purchase was intended as an initial investment in what eventually would be \$70 million, he said.

Robbins said that, before transferring \$4 million to McDonald, GSR "did call and confirm the escrow account at Wells Fargo." He said GSR also "was led to believe she had done other transactions in the past. My clients assumed, if an attorney trust account was involved, the money was safe."

Based on assurances that the bitcoin would be transferred on receipt of the funds, GSR also shorted the based on a \$3,635 purchase price, the suit alleged. When the transfer never took place, GSR was out an additional \$380,000, which it is also seeking to recoup, according to the complaint.

Howard said that McDonald "has no agreement" with GSR and was "unaware" that she was listed as closing

attorney in the bitcoin sale agreement between GSR, the Valkyrie Group and brokerage OTC Desks LTD in Malta, neither of whom she represents.

He acknowledged that McDonald represents Alivic, which is not a defendant in the GSR suit, and carries out that firm's instructions. "Alivic appeared to be legitimate," Howard said.

"Once it became apparent the whole deal was falling apart, she got permission [from Alivic] to return \$2 million" to GSR, he added.

"It appears there is some type of fraudulent scheme," Howard said. He said he is concerned that McDonald "may have been used by another party to facilitate the scheme without her knowledge or understanding."

Howard wouldn't address why McDonald accepted the funds or what happened to the balance of the money if she was unaware of the agreement. "The only thing I can say is she abided by her client's instructions," Howard said. He said he has not been in touch with Alivic or anyone else, besides McDonald, who is representing the firm. "I do not know how to get in touch," he said.

Robbins said that McDonald testified she transferred some of the GSR escrowed funds to her accounts. "We all know what an escrow account is," Robbins said. "We put money in escrow. The deal closes; she has everybody's authority to release the funds. This is not complex."

But McDonald appeared to believe that, even if the deal didn't close, "Whatever the seller [Alivic] tells me I can do with the [escrowed] money, I can do."