

How Floyd Mayweather Helped Two Young Guys From Miami Get Rich

Celebrity endorsements are helping start-ups raise big money in so-called initial coin offerings. But it is not always clear what they are selling.

By NATHANIEL POPPER OCT. 27, 2017

SAN FRANCISCO — Floyd Mayweather, perhaps the greatest boxer of his generation, is not shy about using social media to display the wealth that his years of prize fighting have won him. On Facebook, you can find videos of Mr. Mayweather draped in diamond chains. Want to see him with blocks of \$100 bills taped to his torso? There's that, too.

Recently, Mr. Mayweather has shown his appreciation for a new kind of money. In September, he told his 13.5 million followers on Facebook not once but twice that they should buy a new virtual currency known as the Centra token.

“Get yours before they sell out,” he wrote above a picture of himself admiring the many boxing title belts he had been awarded over the years. “I got mine and as usual I’m going to win big with this one!”

Mr. Mayweather is among the many celebrities who have recently endorsed an initial coin offering, the name for a hot but loosely regulated new method of fundraising in which entrepreneurs sell their own virtual currencies to investors around the world.

The boxer's endorsement of Centra, along with a similar endorsement from the popular rapper DJ Khaled, lent a patina of credibility to a project that has ended up with more than a few problems, including a chief executive who does not

appear to have been a real person and a shaky, fast-shifting business plan.

Thanks in part to the endorsements, in just a few weeks Centra's founders raised over \$30 million from investors around the world. They finished their fund-raising this month, just before a grand jury indicted two of the three co-founders on perjury charges stemming from a drunken-driving case.

Centra was one of the 270 or so I.C.O.s that have raised more than \$3.2 billion this year, a 3,000 percent jump from last year's total, according to data from Tokendata.io, which tracks coin offerings. Investors have been willing to pay real money for these virtual tokens because they hope their value will go up as fast as the price of Bitcoin, the best-known digital currency, has in recent months.

Celebrities have helped stoke the I.C.O. boom. The actor Jamie Foxx, the socialite Paris Hilton and the soccer player Luis Suarez, for example, have all promoted new virtual currencies to their sizable followings on social media in recent months, offering legitimacy and attention to coin offerings that might have otherwise gone unnoticed.

Mr. Mayweather, who has promoted three different tokens — Centra, Stox and Hubiits — has even taken to calling himself Crypto Mayweather in social media posts, a play on his better-known nickname, Money Mayweather.

But the story of Centra illustrates that beneath the signs of mainstream acceptance, coin offerings still exist in a legal gray zone with few checks on the ambitions of young entrepreneurs.

“It's undeniable that a celebrity endorsement brings a new audience into the world of crypto currencies,” said Peter Van Valkenburgh, the director of research at Coin Center, a nonprofit that advocates for Bitcoin and related technology. “But I'm not certain that celebrity endorsements are doing a good job of bringing attention to the legitimate projects.”

Coins of the Digital Wild West

The original virtual currency, Bitcoin, is a digital token — with no physical backing — that can be sent electronically from one user to another, anywhere in the

world. The network on which Bitcoin is stored and transferred was designed to operate without any company or government in charge, governed by a far-flung collaboration of volunteer programmers and computers that maintain all the records.

Initial coin offerings have taken advantage of the decentralized structure of Bitcoin and another popular virtual currency network, Ethereum. People can pay for tokens like Centra using Bitcoin and Ether (the currency inside Ethereum), and no financial authority needs to approve the payments or even know they happened.

Coin offerings have also copied the decentralized structure of Bitcoin and Ethereum, and are riding on the coattails of tech industry enthusiasm for those currency systems. The Centra founders said their token would fuel a new virtual currency debit card and online market. Some venture capitalists have said these new tokens could provide a way to fund and support new global networks — like the next generation of the internet.

But while Bitcoin and Ethereum have gone through years of public vetting (and still have plenty of critics), the new tokens being sold in recent months are unproven, and marketed on the promises of their creators.

The creators of Centra are 26-year-old friends from southern Florida, Sam Sharma and Raymond Trapani. The company's chief marketing officer, Robert Farkas, was recently given the title of co-founder as well. Before Centra, neither Mr. Sharma nor Mr. Trapani had any professional experience with the technologies associated with virtual currencies, or with the debit cards they were hoping to build.

The primary business experience of Mr. Sharma and Mr. Farkas was at Miami Exotics, a luxury car rental business that the two built. Mr. Trapani's old Instagram account shows that he was also a credit repair specialist with a penchant for pictures of luxury cars and stacks of \$20 bills.

“You can sit and watch my life, or you can join my team and live a life like mine!” he wrote in one post.

The lack of experience in the virtual currency industry did nothing to limit the

ambitions of Centra's founders. In July, they put out a website and an announcement that described Centra as an answer to the proliferation of virtual currencies.

“Centra Tech has a brilliant solution, the world's first Debit Card that is designed for use with compatibility on 8+ major cryptocurrencies blockchain assets,” the announcement said.

Making up for the inexperience of the young men was an older chief executive named Michael Edwards, at least according to the Centra website at the time.

The first cracks in the project appeared in early August when a programmer, Harry Denly, wrote on his blog that Mr. Edwards appeared to be made up. The photo on Centra's website was a photo of a Canadian physiology professor who had no relation to Centra — and none of the details on Mr. Edwards's LinkedIn profile, like his work experience at Bank of America and Wells Fargo, checked out.

Centra initially threatened to sue Mr. Denly but then said the bad profiles were the result of freelancers who had hastily put together the company's marketing material. The LinkedIn profile was deleted.

The company has since removed any mention of Michael Edwards from the Centra site and elevated Mr. Sharma to be president. The company also deleted several other employees whose identity and existence were challenged on social media forums.

“When I got involved, the website got cleaned up from A to Z,” Mr. Sharma said in an interview.

Centra charged past these hiccups and began its token sale, got its endorsement from Mr. Mayweather (more on that later) and moved ahead with its plans for a virtual currency debit card. The debit card was described as a new product that would make it possible to spend virtual currencies anywhere Visa cards were taken. The company's site showed Centra cards emblazoned with the Visa logo.

There was one problem with this plan. The company had not been approved, or had even applied, to run a Centra card on the Visa network, a spokeswoman for

Visa said.

After The New York Times reached out to Visa this month, Centra took all the mentions of Visa off its website. Mr. Sharma then said in an interview that the company had shifted its strategy and was now planning to run its cards on the Mastercard network in partnership with a Canadian financial institution. He said this would not require approval from Mastercard because the Canadian institution would issue the cards.

But a Mastercard spokesman, Brian Gendron, disagreed.

“Centra would need approval from Mastercard for something like that, and we are not aware of any approval that has been sought or achieved,” Mr. Gendron said.

Because Centra began raising money without going through any standard background checks, no one verified the company’s credentials with the credit card networks or other relevant authorities. A basic background check would have turned up the numerous run-ins with the law that Mr. Sharma, the company president, has had.

Mr. Sharma has been sued in Florida and New York several times on allegations of unpaid bills and business deals gone sour. Twice, people have accused him in court of trying to fraudulently sell or lend them cars that he didn’t own, and twice he has been evicted for claims that he failed to pay rent.

The landlord in Boca Raton, Fla., who evicted him, Steven Fern, said that after Mr. Sharma stopped paying the rent on his condominium, Mr. Sharma promised repeatedly that he would make it up the next month.

“He stayed the entire time, literally until the day the police came,” Mr. Fern said. “It was a strange scenario, and we lost a lot of money.”

Mr. Sharma said that these problems, a few years ago, had happened when he was “a kid.”

He said the landlord’s statements were “not accurate.”

Sprite, Pinot Grigio and a White Maserati

For now, the bigger problem facing Mr. Sharma and Mr. Trapani is the perjury indictment by a Manhattan grand jury on Oct. 5, just a few days after Centra finished fund-raising.

The charges stem from an incident last year in Manhattan, when Mr. Sharma was arrested early on a Friday in a white Maserati. According to a local news report, Mr. Sharma ran a stop sign and had “a flushed face, a strong odor of alcohol on his breath and watery and bloodshot eyes, and was unsteady on his feet.”

Mr. Sharma and Mr. Trapani both said during Mr. Sharma’s trial that on the night in question, Mr. Sharma had only had Sprite and one glass of pinot grigio, according to the indictment.

“As defendant Sharma and defendant Trapani knew, the testimony that defendant Trapani gave was false, and the truth was that on March 24, 2016, there were alcoholic beverages other than pinot grigio on the table and the defendant did not order Sprite,” the indictment said.

Mr. Sharma said that he couldn’t speak to the case because it was still going on, but that it should not have any effect on Centra.

“I’m obviously not comfortable with that situation,” he said. “But it’s not that I did something so intensely crazy that investors need to worry.”

He and Mr. Trapani both said they were moving ahead with their big plans for Centra, including more projects with Mr. Mayweather.

Mr. Trapani said the company was connected with Mr. Mayweather and DJ Khaled through social contacts in Miami. Mr. Trapani said Mr. Mayweather was so intrigued by Centra’s technology that he wanted to be paid in Centra tokens, and wanted to be a partner for future business ventures.

“He’ll do anything we ask,” Mr. Trapani said. “He’ll go shopping around Beverly Hills if we ask him to do it with this card.”

The boxing champ understood their deal differently. A spokeswoman for Mr.

Mayweather, Kelly Swanson, said he had been paid in cash for the posts and was not involved in any continuing relationship with Centra. She did not say how much he had been paid.

After being contacted by The Times, Mr. Mayweather deleted his Instagram and Facebook posts endorsing Centra, though he left up a Twitter post.

Mr. Sharma disputed the account of Mr. Mayweather's spokeswoman and said the boxer had received Centra tokens. "We dealt with Floyd directly through my guy," Mr. Sharma said. "It was a very direct, individual deal."

Representatives for DJ Khaled did not respond to requests for comment.

Other celebrities have already learned the risks of associating with initial coin offerings.

In September, Ms. Hilton endorsed a token known as Lydian Coin on Twitter, where she wrote: "Looking forward to participating in the new @LydianCoinLtd Token!" Ms. Hilton deleted the post after Forbes reporters uncovered the checkered legal past of the founder of Lydian Coin, who had aimed to raise \$100 million.

Regulators have been relatively slow to crack down on problematic coin offerings. But the Securities and Exchange Commission did recently bring its first case against what it claimed was a fraudulent project — a relatively small one that collected a few hundred thousand dollars.

For now, Mr. Sharma and Mr. Trapani are sitting on the \$30 million that investors gave them.

Mr. Sharma shared and proved his ownership of the Ethereum wallet where they are currently keeping the money.

Assuming regulators don't step in, Mr. Trapani and Mr. Sharma can keep the money, even if they don't build anything. But they say that won't happen.

Mr. Sharma said Centra was planning to issue its first batch of debit cards this year, regardless of the denials of Visa and Mastercard, and would unveil its broader

technology in November. They have already rented lavish offices in Miami Beach and hired several people.

“I see us taking over as being the No. 1 company that people will use to use their crypto assets,” Mr. Sharma said, using an industry term for virtual currencies. “Once our proof of concept goes from beta to live, I think that we are going to take market dominance in the full aspect.”

Some potential investors did not share Mr. Sharma’s enthusiasm and discussed their concerns on Reddit and other social media platforms. But those criticisms ended up having less of an impact than the social media nods from Mr. Mayweather and DJ Khaled.

“What’s important is Centra is being endorsed and they have a product,” a Reddit user named islandsurf wrote back to the critics, explaining his own investment. “That’s what matters to investors!”

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