

**UNITED STATES DISTRICT COURT  
EASTERN DISTRICT OF NEW YORK**

SECURITIES AND EXCHANGE  
COMMISSION,

Plaintiff,

-v.-

REGINALD (“REGGIE”) MIDDLETON,  
VERITASEUM, INC., and VERITASEUM,  
LLC,

Defendants.

Case No. 19-cv-04625 (WFK)

**DEFENDANTS’ MEMORANDUM OF LAW IN OPPOSITION TO  
PLAINTIFF’S APPLICATION FOR A PRELIMINARY INJUNCTION  
CONTINUING THE TEMPORARY ASSET FREEZE (CORRECTED)**

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**TABLE OF CONTENTS**

**PRELIMINARY STATEMENT** ..... 1

**FACTS** ..... 4

**Mr. Middleton’s Experience As a Financial Analyst**..... 4

**Mr. Middleton’s Initial Blockchain Start-up Venture** ..... 5

**Mr. Middleton’s Second Blockchain Venture and Sale of “VERI” Utility  
    Tokens** ..... 6

**The Development of the VeADIR Software Platform** ..... 10

**The SEC’s Investigation and Baseless Asset Freeze Application** ..... 11

**The Devastating Effect of the Temporary Asset Freeze on Veritaseum Token  
    Holders** ..... 15

**THE ASSET FREEZE SHOULD BE LIFTED** ..... 15

**I. The Balance of Hardships Mandates Termination of the Asset Freeze**..... 15

**II. The SEC Has Not Demonstrated a Likelihood of Success on the  
    Merits of Its Claims** ..... 17

**A. The Utility Tokens Are Not Securities** ..... 17

**B. The SEC Has Not Established a Likelihood of Prevailing on Its  
        Securities Fraud Claims** ..... 22

**C. The SEC Has Not Established a Likelihood of Success on Its  
        Market Manipulation Claim**..... 27

**CONCLUSION** ..... 30

**TABLE OF AUTHORITIES**

	<b>Page(s)</b>
<b>Cases</b>	
<i>Balestra v. ATBCOIN LLC</i> , 380 F. Supp. 3d 340, 355 (S.D.N.Y. 2019).....	24
<i>Ernst &amp; Ernst v. Hochfelder</i> , 425 U.S. 185 (1976).....	25
<i>Grenader v. Spitz</i> , 537 F.2d 612 (2d Cir. 1976).....	21
<i>Hodges v. Harrison</i> , 372 F. Supp. 3d 1342, 1347 (S.D. Fla. 2019) .....	24
<i>In re Lululemon Securities Litigation</i> , 14 F. Supp. 3d 553, 571 (S.D.N.Y. 2014).....	26
<i>Rensel v. Centra Tech, Inc.</i> , 2018 WL 4410126 (S.D. Fla. June 25, 2018).....	25
<i>Rombach v. Chang</i> , 355 F.3d 164 (2d Cir. 2004).....	26, 27
<i>SEC v. Baldassare</i> , 2014 WL 2465622 (S.D.N.Y. May 29, 2014) .....	25
<i>SEC v. Blockvest, LLC</i> , 2019 WL 625163 (S.D. Cal. Feb. 14, 2019).....	24
<i>SEC v. Bremont</i> , 954 F. Supp. 726 (S.D.N.Y. 1997).....	20
<i>SEC v. Cavanagh</i> , 155 F.3d 129 (2d Cir. 1998).....	20
<i>SEC v. Gonzalez de Castilla</i> , 145 F. Supp. 2d 402 (S.D.N.Y. 2001).....	20
<i>SEC v. Kelly</i> , 765 F. Supp. 2d 301 (S.D.N.Y. 2011).....	25
<i>SEC v. Malenfant</i> , 784 F. Supp. 141 (S.D.N.Y. 1992).....	30

<i>SEC v. Manor Nursing Ctrs., Inc.</i> , 458 F.2d 1082 (2d Cir. 1972).....	5, 18, 19
<i>SEC v. Miller</i> , 808 F.3d 623 (2d Cir. 2015).....	20
<i>SEC v. Monarch Funding Corp.</i> , 192 F.3d 295 (2d Cir. 1999).....	25
<i>SEC v. Morgan</i> , 2019 WL 2385395 (W.D.N.Y. June 5, 2019).....	19
<i>SEC v. Santillo</i> , 2018 WL 3392881 (S.D.N.Y. July 11, 2018).....	19
<i>SEC v. Shavers</i> , 2013 WL 4028182 (E.D. Tex. Aug. 6, 2013).....	25
<i>SEC v. Spongetech Delivery Systems, Inc.</i> , 2011 WL 887940 (E.D.N.Y. Mar. 14, 2011).....	19
<i>SEC v. W.J. Howey Co.</i> , 328 U.S. 293 (1946).....	6, 21
<i>SEC v. Yorkville Advisors, LLC</i> , 305 F. Supp. 3d 486, 511 (S.D.N.Y. 2018).....	25, 26
<i>Smith v. SEC</i> , 653 F.3d 121 (2d Cir. 2011).....	20
<i>Solis v. Latium Network, Inc.</i> , 2018 WL 6445543 (D.N.J. Dec. 10, 2018).....	24
<i>Trane Co. v. O’Connor Securities</i> , 561 F. Supp. 301 (S.D.N.Y. 1983).....	30
<i>United Housing Found., Inc. v. Forman</i> , 421 U.S. 837 (1975).....	6, 21
<i>United States v. Zaslavskiy</i> , 2018 WL 4346339 (E.D.N.Y. Sept. 11, 2018) .....	24
<b>Statutes</b>	
Exchange Act Section 9(a)(2), 15 U.S.C. § 78i(a)(2).....	20, 30
Securities Act of 1933 Section 17(a), 15 U.S.C. § 77q(a).....	20
Securities Act Section 5(a), 15 U.S.C. § 77e(a).....	20



Securities Act Section 5(c), 15 U.S.C. § 77e(c).....20

Securities Exchange Act of 1934 Section 10(b), 15 U.S.C. § 78j(b).....20, 26

**Other Authorities**

17 C.F.R. § 240.10b-520

## PRELIMINARY STATEMENT

Defendant Reginald Middleton is an experienced financial analyst recognized for publishing research reports foreshadowing the financial crisis. He later founded an innovative start-up company, defendant Veritaseum, LLC. Supported by a global team of software development, financial analysis, business development, and operations personnel, the company offers proprietary financial research and a novel blockchain-based software platform, which enables its customers to conduct a variety of transactions in a cryptographically secure manner, without the involvement of traditional financial institutions.

In 2017 and early 2018, Veritaseum sold digital “utility tokens,” called Veritas or VERI tokens, which immediately enabled token holders to acquire Veritaseum’s research reports and, as the business expanded, to gain access to the company’s software platform. The tokens are not investments and are not securities. They do not represent an ownership interest in Veritaseum or its assets; do not give holders any right to share in the company’s profits; do not confer voting rights; and do not pay dividends or interest. Numerous token holders have used their tokens to avail themselves of the Veritaseum’s unique products and services, which the company has continually expanded and improved.

In the summer of 2017, the SEC commenced an investigation of Mr. Middleton and Veritaseum, predicated on the erroneous assumption that Veritaseum’s sale of utility tokens was an unregistered offering of securities. From the outset of the investigation it was clear from the documentation provided to token purchasers that the tokens were not securities and therefore were not subject to SEC regulation. Nonetheless, Mr. Middleton and Veritaseum provided to the SEC voluminous documents and data, and gave five full days of testimony. The investigation required the company to incur legal defense expenses, including e-discovery consultants as well as legal fees, in staggering amounts for an entrepreneurial start-up venture. The investigation

dragged on for two years until August 12, 2019, when the SEC filed this action and immediately sought an “emergency” order temporarily freezing all of Mr. Middleton’s personal assets as well as the assets of his company.

The SEC’s purported emergency was based on Mr. Middleton’s transfer of digital assets that the SEC alleged were a “dissipation” of company assets caused by Mr. Middleton’s receipt of a Wells notice indicating that the agency would likely sue him. Ten days earlier, however, defense counsel had demonstrated to the SEC that the asset transfer in question was nothing more than the routine funding of Veritaseum’s ongoing lawful business operations and was consistent with the company’s prior funding practices. The SEC did not disclose this information to the Court in its asset freeze application and incorrectly represented to the Court that Mr. Middleton had transferred a portion of the assets to a personal account. In fact, all of the assets remained in the company’s control.

The SEC’s TRO application was heard by the Honorable LaShann DeArcy Hall, sitting as Miscellaneous Judge, late in the afternoon of August 12. The Court heard oral argument from both sides, but did not give the defense an opportunity to file a written response before temporarily freezing Veritaseum’s assets. Judge Hall denied the SEC’s request to freeze Mr. Middleton’s personal assets.

This Court should now lift the freeze in its entirety. The Second Circuit has instructed district courts to give careful attention where an SEC asset freeze might financially destroy a defendant’s company and thereby thwart the goal of protecting investors. *See SEC v. Manor Nursing Ctrs., Inc.*, 458 F.2d 1082, 1105-06 (2d Cir. 1972). The temporary freeze in this case has already caused significant harm to the holders of Veritaseum’s utility tokens, the very people the SEC is purportedly seeking to protect. The SEC has put forth no evidence that Mr.

Middleton has dissipated or concealed company assets or is likely to do so in the future. Funding Veritaseum's lawful business operations is not dissipation and does not harm the holders of its utility tokens. On the contrary, the company's activities *benefit* token holders by creating additional ways for them to use their tokens and thereby enhancing the tokens' value.

For example, until Veritaseum's assets were frozen, the company's software platform enabled its utility token holders to purchase blockchain-based ownership interests in gold and other precious metals at a discount. The SEC does not and could not contend that there is anything illegal about this business activity, and has not asked the Court to enjoin it. Instead, to the direct detriment of token holders, the SEC seeks to destroy the business by freezing its assets and blocking its customers from exercising their contractual rights to redeem their holdings. The temporary freeze has already disrupted this business and damaged the company's token holders. Continuing the freeze for an extended period, as the SEC now requests, would wipe out the value of the company's tokens entirely, as well as subject it to breach-of-contract claims by token holders whose property has essentially been taken from them by the SEC asset freeze. The Court should terminate the freeze immediately on this basis alone.

In addition, the freeze should be vacated because the SEC has not shown a likelihood that it will succeed on the merits of any of its purported claims. Each of the SEC's claims must fail because Veritaseum's utility tokens are not securities and are therefore not subject to the federal securities laws. Over forty years ago, in *United Housing Foundation v. Forman*, the Supreme Court, clarifying its prior decision in *SEC v. W.J. Howey Co.*, 328 U.S. 293 (1946), held that "the securities laws do not apply" to assets sold to consumers "motivated by a desire to **use or consume** the item purchased." *Forman*, 423 U.S. 884, 852-53 (1975) (emphasis added).

Through extensive written documentation, online videos, social media posts, live presentations, and one-to-one communications, Mr. Middleton and Veritaseum made clear to all prospective token purchasers that their utility tokens are not investments and should be purchased only by those who want to use the company's products and services. This message was received loud and clear by token purchasers, who were motivated by a desire to use Veritaseum's ground-breaking products and services. We have submitted for the Court's review declarations by eleven VERI token holders attesting to their clear understanding that the tokens they purchased are not investments or securities.

Finally, beyond the fatal absence of a security, the SEC has also failed to establish a likelihood of success on its securities fraud and market manipulation claims. As detailed below, the SEC has provided no evidence that any of the statements at issue were fraudulent. And the token trading cited by the SEC as manipulative was actually an effort by Mr. Middleton to test out a new online cryptocurrency exchange to determine if it could be a suitable venue for smaller purchases of his utility tokens. The SEC cannot establish that Mr. Middleton's test trades were undertaken with manipulative intent.

## **FACTS**

### **Mr. Middleton's Experience As a Financial Analyst**

Mr. Middleton grew up on Long Island, earned a bachelor's degree in business management at Howard University in 1990, and has lived in Brooklyn for 26 years. He started working in the financial industry in 1990. His first job was at Prudential Insurance, where he was trained in financial product sales. Mr. Middleton later worked in the financial securities and risk management fields. Middleton Dec. ¶¶4-5.

Mr. Middleton gained recognition in 2008 for research reports he authored that anticipated the financial crisis. Middleton Dec. Exs. 1-3. One reporter described him as having

“been startlingly accurate in the past. He forecast the collapse of the housing market in 2007, and in early 2008 warned of the demise of Bear Stearns weeks before it happened. Earlier this year, he said that Ireland’s finances were in terrible shape long before Standard & Poor’s got around to downgrading that nation’s credit rating.” *Id.*, Ex. 4 (*Crain’s New York Business* (Aug. 29, 2010)). In 2007, Mr. Middleton founded “Boom Bust Blog,” a commercial financial advisory which had thousands of subscribers. *Id.* ¶8. In 2013 and 2014, he won CNBC’s “Stock Draft.” *Id.* ¶9. Mr. Middleton’s views on the financial markets have been published on HuffPost, to which he was a regular contributor, and broadcast on CNBC as a regular contributor, Bloomberg, and RT News as a regular contributor. *Id.* ¶10.

### **Mr. Middleton’s Initial Blockchain Start-up Venture**

In 2013, Mr. Middleton decided to apply his research background and skills to the emerging digital asset and cryptocurrency industry. Middleton Dec. ¶11. He conceived of an idea for a software platform that would use the blockchain to facilitate swap transactions directly between two or more parties at very low cost, without the need for brokers, agents, exchanges, banks, or other intermediaries. *Id.* The transactions would occur on the Bitcoin (BTC) blockchain, the dominant blockchain technology at the time. *Id.*

Mr. Middleton raised “angel” capital and recruited six individuals, including software developers, engineers, and financial analysts, to model and create this software platform, which ultimately required 54,000 lines of code. Middleton Dec. ¶12. To create this product, the company eventually paid approximately \$346,000 to software developers and to cover other development-related expenses, such as financial and macro analysis, strategy and design. *Id.* ¶13.

By around January 2014, the platform had become functional and was ready to be used by outside parties unconnected with its development. Middleton Dec. ¶14. This final stage of

software development is commonly known as “beta testing.” Beta testing occurred throughout 2014. *Id.* ¶14. Although the testing took place on an anonymous basis, Mr. Middleton estimates that over one hundred testers used the platform. *Id.* By July 2015, Veritaseum had successfully tested a full transaction flow—from browsing ticker data, to funding a swap with Bitcoin, to swap settlement on the Bitcoin blockchain. Dworzniak Dec. ¶4.

Like many start-up ventures, Mr. Middleton’s initial, BTC-based platform did not make it to market. Although the platform was functional, Mr. Middleton became concerned that it could encounter regulatory obstacles because of guidance from the Commodity Futures Trading Commission that indicated that it could potentially be regulated as a Swap Execution Facility. *See* CFTC Division of Market Oversight Guidance on Application of Certain Commission Regulations to Swap Execution Facilities, Nov. 15, 2013; Middleton Dec. Ex. 5. The venture’s capital had also become depleted. *Id.* ¶17. In addition, Mr. Middleton became aware of limitations inherent in the BTC blockchain that restricted future development and expansion of the platform, and he decided to halt further work on the project. *Id.*

### **Mr. Middleton’s Second Blockchain Venture and Sale of “VERI” Utility Tokens**

Around April 2017, Mr. Middleton launched a second venture. He envisioned this business to include the sale of proprietary research reports on digital assets and the development of a software platform on the Ethereum (ETH) blockchain. Middleton Dec. ¶18. The platform was later named the VeADIR (pronounced “Vader”), shorthand for Veritaseum Autonomous Dynamic Interactive Research. *Id.* The Ethereum blockchain, unlike the Bitcoin blockchain, allows for more efficient development and the use of a technology known as “smart contracts,” which automatically execute transactions in a cryptographically secure manner according to terms determined by the parties. *Id.* ¶19. The VeADIR platform was intended to be a flexible system that permitted “peer to peer” exchanges of a potentially wide range of assets. (Peer-to-

peer is a technical term referring to a distributed software application architecture that allows users to deal with each other directly.) *Id.* The initial version of the platform would allow users to obtain financial exposure to a portfolio of blockchain-based digital assets, as determined by ongoing Veritaseum research. *Id.* ¶20.

Mr. Middleton assembled a talented global team to develop and execute his business plan, including software developers; financial and research analysts; engineers; database, clerical, operations, and administrative personnel; compliance experts; hedge fund product development specialists; customer relations personnel; legal counsel; and business development personnel. Middleton Dec. ¶21. The VeADIR platform required an entirely new code base, architecture, and concept. *Id.* Mr. Middleton publicly stated that Veritaseum did not expect to release the new platform until the first quarter of 2018, at the earliest. *Id.* ¶22. He cautioned prospective customers to expect “delays” and “snafus.” *Id.*

To finance his new enterprise, Mr. Middleton sold digital utility tokens (Veritas, or VERI) in what is commonly referred to as an Initial Coin Offering, or ICO. His initial sale of VERI tokens occurred from April 25 through May 26, 2017. Middleton Dec. ¶23. Token purchasers could, and did, use them immediately to purchase Veritaseum research reports. *Id.* ¶24. In addition, the tokens could later be, and in fact were, used to access the VeADIR system the company was developing. *Id.* ¶25.

Unlike the sponsors of most ICOs, which are documented solely by vague “white papers,” Mr. Middleton and his company directed all potential purchasers of their utility tokens to two agreements describing in detail the terms of sale and uses of the tokens: (1) Terms and Conditions of the Veritas (VERI) Sale, and (2) the Veritas Product Purchase Agreement. Middleton Dec. Exs. 7-8.



These legal documents explicitly state that the tokens represented prepayment for Veritaseum products and services and were not investments:

- “Veritas are redeemable solely to Veritaseum LLC for various products and services offered by Veritaseum LLC, or to access various features or aspects of the Veritaseum Platform or other Veritaseum LLC software products.” Middleton Dec. Ex. 7 at 1.
- “Purchasers [should not] expect income, profits, or economic cash flows to be derived from the ownership of Veritas.” *Id.* at 2.
- The purchaser “represents and warrants that Purchaser is not exchanging bitcoin (BTC) for Veritas for the purpose of speculative investment.” Middleton Dec. Ex. 8 at 1.

The documents also explicitly warn purchasers that the company may be unable to develop or may abandon the software platform, and would not provide refunds:

- “[W]hile Veritaseum LLC will make reasonable efforts to continue developing features of the Veritaseum Platform software, it is possible that a desired version of the Veritaseum Platform may not be released and there may never be an operational Veritaseum Platform with the desired features. It is also possible that even if Veritaseum LLC releases a desired version of the Veritaseum Platform, due to a lack of public interest in decentralized applications or the Veritaseum Platform itself, the Veritaseum Platform could potentially be abandoned or shut down for lack of interest.” *Id.* at 2.
- “Purchaser also understands that Veritaseum LLC will not provide any refund of the purchase price for Veritas under any circumstances.” *Id.* at 1.

Mr. Middleton and Veritaseum marketed the tokens via the company’s website (<https://veritas.veritaseum.com>), YouTube videos, social media, in-person presentations, and communications with individual purchasers. Middleton Dec. ¶29. He consistently emphasized the potential uses of the blockchain-based software platform Veritaseum was developing and that the tokens should not be purchased as an investment or for speculation. For example, in one YouTube video, titled “VERI, VeADIRs & Disruption: Utility Trumps Speculation,” he references the research reports being sold by Veritaseum. Middleton Dec. Ex. ¶30.

In addition, on more than 20 occasions, Mr. Middleton publicly stated that VERI tokens are not investments. Middleton Dec. Exs. 9-10. For example, he posted on Twitter, “Veritas is software, not . . . an investment. If you don’t understand it then it’s best you don’t purchase it.” *Id.*, Ex. 11. On another occasion, when an individual offered to “invest in [Mr. Middleton’s] project,” Mr. Middleton quickly informed him that “[w]e are not taking investors.” *Id.*, Ex. 12. Mr. Middleton and other Veritaseum personnel consistently sent the same message to anyone who told them that they thought the tokens presented an investment opportunity. *Id.* ¶32.

The SEC cites a few examples where Mr. Middleton referred to the potential for the tokens to increase in value as Veritaseum developed and improved the products and services available to token holders. (SEC Br. 8-10) The SEC has mischaracterized many of these statements. Middleton Dec. ¶¶33-35. In any event, they were always made in the context of Mr. Middleton’s presentations and communications focusing on the utility of the tokens to access cutting-edge technology and warning prospective buyers not to view the tokens as an investment.

Contrary to the SEC’s allegations, these points were well understood by token purchasers. We have submitted to the Court sworn declarations of eleven VERI purchasers from around the world explaining how they planned to use their tokens to access Veritaseum’s technology, and stating that they clearly understood—based on what they saw and heard from Mr. Middleton and Veritaseum—that the tokens are not investments or securities. *See* Declarations of Darren Young, Aug. 19, 2019; Dominic Gabriel Marazzi, Aug. 19, 2019; Fergal Carroll, Aug. 19, 2019; Francis Taylor, Aug. 18, 2019; Gary Hughes, Aug. 19, 2019; Mark Sheahan, Aug. 19, 2019; Matthew Growcott, Aug. 19, 2019; Michael Gilbert, Aug. 19, 2019; Mikko Kajava, Aug. 19, 2019; Raymond Young, Aug. 19, 2019; Catherine Hargaden, August 19, 2019.

### **The Development of the VeADIR Software Platform**

In the months following Veritaseum's initial token sales, the company worked intensively to develop the VeADIR platform. Middleton Dec. ¶49. This version could use none of the original code from the BTC-based platform and therefore required a new code base. *Id.* As a result, Mr. Middleton hired a new set of developers. *Id.*

Veritaseum met the production schedule Mr. Middleton had forecast at the time of the initial token sale. By the first quarter of 2018, the VeADIR was operational and in beta testing by outside users. Middleton Dec. ¶50. Indeed, on March 20, 2018, Mr. Middleton gave a detailed demonstration of the system to a large number of SEC staff members, who attended in person in New York and by telephone from Washington. Middleton Dec. ¶51; Ex. 22. Mr. Middleton explained how VERI token holders could use the platform to purchase financial exposure to a portfolio of digital assets, borrow tokens, and benefit from research fed into the system by Veritaseum. Middleton Dec. ¶51. At the conclusion of the presentation, the SEC staff did not question the functionality or utility of the system. *Id.* ¶52. Rather, they demanded that Mr. Middleton stop making the system available to beta testers, because in the SEC's view the testers' use of even nominal amounts of VERI tokens required Veritaseum to register as a regulated securities firm. *Id.* Although Mr. Middleton did not agree with the SEC's position because he understood that VERI tokens are not securities, he terminated beta testing in deference to the ongoing SEC investigation. *Id.*

Later in 2018, Mr. Middleton and the Veritaseum team began developing yet another innovative blockchain-based functionality for its software platform. Middleton Dec. ¶53. The system offered for sale digital tokens (such as VeGold) that represent a blockchain-based ownership interest in a specified amount of a precious metal. *Id.* Veritaseum bought the metals in bulk, stored them in a vault, and sold "tokenized" interests in them. *Id.* VERI token holders

received a discount, adding to the utility and value of their tokens. Owners of VeGold have a contractual right to redeem them back to the company in exchange for the physical delivery of their gold, or a conditional option to sell the tokens back to the company. *Id.*

Until the SEC froze Veritaseum's assets, the VeADIR system sold over 260,000 ounces of precious metals. Middleton Dec. ¶54. Including all precious metal token sales, repurchases, redemptions, and transfers, Veritaseum handled hundreds of transactions involving over \$3.5 million worth of VeGold and other precious metal tokens while still in the beta testing phase. *Id.* This platform includes full Know-Your-Customer and Anti-Money-Laundering systems, home grown and developed specifically for use on the public blockchain from the ground up by Mr. Middleton, Veritaseum's financial crimes and compliance specialist, and the company's engineering and development teams. *Id.*

### **The SEC's Investigation and Baseless Asset Freeze Application**

Within months after Veritaseum's initial sale of the VERI utility tokens, the SEC staff launched an investigation. Middleton Dec. ¶63. Mr. Middleton and Veritaseum produced to the SEC voluminous documents and information in response to subpoenas and voluntarily provided additional information in response to a large number of informal requests by the SEC staff. Kornblau Dec. ¶3. Mr. Middleton gave sworn testimony in five different full-day sessions. *Id.* Two other individuals who worked for Veritaseum also testified. *Id.* Although the token sales at issue occurred mainly during a four-week period, the investigation continued for two years, requiring Veritaseum to incur legal defense costs, including legal fees and vendor expenses, totaling nearly \$1.3 million. Middleton Dec. ¶64. These expenses have put a severe strain on Veritaseum's finances, as it is a start-up, not a highly capitalized Fortune 500 company. *Id.*

On Tuesday, July 30, 2019, the SEC staff sent defense counsel a Wells notice, which stated that the SEC staff had made a preliminary determination to recommend that the agency

file an enforcement action against Mr. Middleton and Veritaseum. Kornblau Dec. ¶6. Although the investigation had taken the SEC two *years*, and was still continuing, the SEC gave defense counsel only two *weeks* to make a written submission responding to the Wells notice. *Id.* ¶7.

Three days later, on Friday, August 2, 2019, the SEC staff abruptly requested that Veritaseum and Mr. Middleton enter a written agreement not to move or convert any Ethereum (ETH), a cryptocurrency, without notifying the SEC. Kornblau Dec. ¶8. Citing a concern about dissipation of assets, the SEC lawyers informed defendants' counsel that, after the Wells notice was issued, they had observed a transfer of around 10,000 units of ETH (worth approximately \$2 million) from a Veritaseum digital wallet, a small portion of which was then converted to U.S. dollars on a digital exchange. *Id.* ¶9.

Defense counsel promptly explained to the SEC lawyers that the transfer in question was not a dissipation of assets; rather, it was merely the funding of Veritaseum's ongoing business operations and was consistent with two previous transfers for the same purpose over the prior year. Kornblau Dec. ¶10. Mr. Middleton had transferred from the same digital wallet approximately the same amount (9,880 ETH) on February 15, 2019, and exactly the same amount (10,000 ETH) on June 2, 2018. *Id.* ¶11. We further explained to the SEC that, for security reasons, Mr. Middleton's practice was to make only occasional transfers from that "cold" wallet (which held a large quantity of ETH and could be analogized to a savings account) to "hot" wallets and accounts used for day-to-day business expenses (which could be analogized to checking accounts). *Id.* All of these transfers were fully visible in detail on the blockchain to the SEC and anyone else with the Veritaseum wallet address and an internet connection. *Id.* We also pointed out to the SEC staff that Mr. Middleton reasonably expected his company's legal

expenses, which were already burdensome, to increase substantially as a result of the Wells notice. *Id.* ¶10.

Nonetheless, in an effort to allay any concern about potential dissipation of assets, we informed the SEC staff that Mr. Middleton would be willing to notify them of digital asset transfers exceeding the equivalent of \$600,000 in a calendar month, based on Mr. Middleton's estimate of Veritaseum's monthly operational expenses, including substantially increased legal fees. Kornblau Dec. ¶12. The SEC lawyers expressed their opinion that the company's operating expenses were too high, and asked for a budget. *Id.* ¶13.

We sent the budget the following Monday. Kornblau Dec. ¶14. The SEC asked for an explanation of a line item of approximately \$135,000 per month for "FX/Currency/Value store engine," which we told them represented the cost of precious metals purchases. *Id.* ¶15.

Although Mr. Middleton had previously testified about Veritaseum's blockchain-based precious metals business, the SEC staff asserted that they had "serious concerns about the proposed level of spending, which does not seem to be [sic] appropriate use of investor funds in light of what was told to investors." *Id.* ¶16. In support of this concern, the SEC cited a Veritaseum document that they said had been provided to token purchasers in the spring of 2017. *Id.* ¶18.

The document referred to by the SEC, however, describes a large number of planned uses for Veritaseum tokens, including "Gold exposure pool" and "Buy 1 yr. \$50k of Gold exposure, paying with \$50k of Silver exposure contract." Kornblau Dec. ¶19 & Ex. A. We pointed out to the SEC lawyers that the document accurately foreshadowed the blockchain-based precious metals business that Veritaseum had developed and was then operating, and therefore contradicted their allegation that Veritaseum's spending did not "align" with representations Mr. Middleton had made to VERI purchasers. *Id.* ¶20.

Despite this clear evidence that the SEC's concern about asset dissipation was unfounded, the agency proceeded to file this civil enforcement action on Monday, August 12, 2019, along with an "emergency" request for a temporary freeze of the defendants' assets. Kornblau Dec. ¶22. The SEC's motion papers cited the asset transfer that occurred after the Wells notice, but do not mention either of the two nearly identical transfers that had occurred over the prior year or Mr. Middleton's explanation that the transfers were necessary to continue Veritaseum's ongoing lawful business operations. (SEC Br. 16)

Compounding that material omission, the SEC represented to the Court that a portion of the transferred assets had been moved to a digital wallet owned by Mr. Middleton personally, essentially accusing him of misappropriating company property. (SEC Br. 16; Doody Dec. ¶¶27, 33) This accusation was false. In fact, the transfers were made to a Veritaseum LLC account—not to any personal account of Mr. Middleton's. Middleton Dec. Ex. 31.

The same day that the SEC filed its freeze application, counsel appeared before Judge Hall. Kornblau Dec. ¶¶23–24. Defense counsel had only a short time to review the SEC's motion papers, which were three inches thick, and asked for permission to file a written response the next day. *Id.* ¶23. This request was denied, and the Court ruled on the basis of oral arguments and the SEC's motion papers, which were incomplete and inaccurate. *Id.* ¶24. At 6:10 p.m., Judge Hall issued a temporary restraining order freezing Veritaseum's assets, declined the SEC's request to order a freeze of Mr. Middleton's personal assets, and scheduled a hearing to consider whether the freeze should be continued pending trial. *Id.* ¶24.

## **The Devastating Effect of the Temporary Asset Freeze on Veritaseum Token Holders**

The temporary asset freeze caused immediate damage to Veritaseum and its token holders. In addition to freezing Veritaseum's own assets, the SEC insisted that the company halt all redemptions by holders of VeGold tokens. Middleton Dec. ¶76. This action requires Veritaseum to breach its agreement with its token holders, and effectively deprives VeGold token holders of their own property. *Id.* Many Veritaseum contractors have thus been stripped of compensation they had previously earned and received from Veritaseum in the form of VeGold. *Id.* The asset freeze also deprives VERI utility token holders of a significant use of their tokens, since they can no longer obtain discounts on blockchain-based precious metal purchases from Veritaseum. *Id.* ¶77.

Continuing the freeze would destroy the entire company. It would not be able to make payroll beginning on September 1, 2019. Middleton Dec. ¶78. Approximately 25 employees and contractors would be out of work. *Id.* These individuals perform key tasks, including compliance, financial analysis and research, engineering, software development, legal counseling, database administration, clerical operations, product development, customer relations, and business development. *Id.* Without them, all Veritaseum operations would grind to a halt and the utility and value of the VERI tokens would disappear. *Id.*

### **THE ASSET FREEZE SHOULD BE LIFTED**

#### **I. The Balance of Hardships Mandates Termination of the Asset Freeze**

In the seminal decision on asset freezes in SEC enforcement actions, the Second Circuit held that an SEC asset freeze request “requires particularly careful consideration by the district court.” *SEC v. Manor Nursing Ctrs., Inc.*, 458 F.2d 1082, 1105 (2d Cir. 1972). The Court noted that there may be circumstances where a freeze is appropriate to insure that assets will be available to compensate investors, but also emphasized that in some cases a freeze “might thwart



the goal of compensating investors if the freeze were to cause such disruption of defendants' business affairs that they would be financially destroyed." *Id.* at 1106. This Court, therefore, must weigh "the disadvantages and possible deleterious effect of a freeze" against "the need for such relief." *Id.*; *see also SEC v. Morgan*, 2019 WL 2385395, at \*11 (W.D.N.Y. June 5, 2019).

In this case, the deleterious effect of the asset freeze on Veritaseum and its token holders is severe. As discussed above, because of the temporary freeze, Veritaseum's customers have been unable to exercise their contractual right to redeem their blockchain-based holdings of precious metals, and thus have essentially been deprived of their property. Especially if the freeze were continued for a prolonged period, Veritaseum would likely have to defend itself against damages claims from these token holders. Moreover, the freeze would destroy the company's ability to remain in business and thus extinguish the utility and value of all Veritaseum tokens. It would also cause Veritaseum's workforce of 25 to lose their jobs. Thus, continuing the freeze would "cause such a disruption of defendants' legitimate business affairs that the assets would be destroyed and the [token purchasers] would be placed in greater danger of losing their funds." *SEC v. Spongetech Delivery Systems, Inc.*, 2011 WL 887940, at \*2 (E.D.N.Y. Mar. 14, 2011).

In the balance of the equities, there is nothing for the Court to weigh against this certain and unjust damage to the token holders. The SEC has made no showing, as it must, "that the defendant will dissipate the assets within the defendant's control or will transfer the assets beyond the jurisdiction of the United States." *SEC v. Santillo*, 2018 WL 3392881, at \*2 (S.D.N.Y. July 11, 2018). As shown above, what the SEC calls "dissipation" was merely the funding of Veritaseum's legitimate ongoing business activities, both in the U.S. and abroad, in line with its prior funding practices. And contrary to the SEC's erroneous representation to the

Court, there is no evidence that any of the transferred assets were improperly diverted to Mr. Middleton. Middleton Dec. Ex. 31.

## **II. The SEC Has Not Demonstrated a Likelihood of Success on the Merits of Its Claims**

To secure an asset freeze, the SEC must establish that “it is likely to succeed on the merits.” *SEC v. Miller*, 808 F.3d 623, 635 (2d Cir. 2015) (quoting *SEC v. Cavanagh*, 155 F.3d 129, 132 (2d Cir. 1998)). In this case, the SEC must make an especially strong showing on the merits because of the draconian effects of the asset freeze: “[T]he SEC’s burden of proof rises in relation to the hardship the injunction would create for the defendants.” *SEC v. Gonzalez de Castilla*, 145 F. Supp. 2d 402, 415 (S.D.N.Y. 2001); *see also Smith v. SEC*, 653 F.3d 121, 128 (2d Cir. 2011) (“[T]he SEC should be obliged to make a more persuasive showing of its entitlement to a preliminary injunction the more onerous are the burdens of the injunction it seeks.”); *SEC v. Bremont*, 954 F. Supp. 726, 729-30 (S.D.N.Y. 1997) (“[T]he strength of the showing required [by the SEC] varies inversely with the severity of the restraint sought.”).

### **A. The Utility Tokens Are Not Securities**

None of the SEC’s claims in this action can succeed because the VERI utility tokens sold by the defendants were not securities. Each of the SEC’s claims requires one or more offers of or transactions in a security.<sup>1</sup>

The SEC unsuccessfully attempts to shoehorn the VERI utility token into a type of security called an “investment contract.” In 1946, the Supreme Court broadly defined an

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<sup>1</sup> *See* Section 17(a) of the Securities Act of 1933, 15 U.S.C. § 77q(a) (“offer or sale of any securities”); Section 10(b) of the Securities Exchange Act of 1934, 15 U.S.C. § 78j(b) (“purchase or sale of any security”; Rule 10b-5, 17 C.F.R. § 240.10b-5 (same); Section 9(a)(2) of the Exchange Act, 15 U.S.C. § 78i(a)(2) (“a series of transactions in any security other than a government security”); Section 5(a) of the Securities Act, 15 U.S.C. § 77e(a) (“sell such security”); Section 5(c) of the Securities Act, 15 U.S.C. § 77e(c) (offer to sell or buy “any security”).

investment contract as “an investment of money in a common enterprise with profits to come solely from the efforts of others.” *SEC v. W. J. Howey Co.*, 328 U.S. 293, 301 (1946). Twenty-nine years later, in *United Housing Found., Inc. v. Forman*, 421 U.S. 837 (1975), the Supreme Court revisited *Howey*, explaining that, by “profits,” the Court has meant either “capital appreciation resulting from the development of the initial investment” or “a participation in earnings resulting from the use of investors’ funds.” *Id.* at 852. The Court then drew a sharp distinction “when a purchaser is motivated by a desire to use or consume the item purchased...” *Id.* at 852-53. In such cases, the Court held, “the securities laws do not apply.” *Id.* at 853.

In *Forman*, the Court applied this principle to conclude that even shares of common stock could fall outside the definition of a security. In that case, residents of a cooperative housing project alleged that the sale of their shares of the common stock of the cooperative housing corporation violated the federal securities laws. The Court reviewed in detail the written documentation distributed to prospective residents and found that the residents “were attracted solely by the prospect of acquiring a place to live, and not by financial returns on their investments.” *Id.* at 853. Dismissing the residents’ securities law claims, the Court observed that “[w]hat distinguishes a security transaction—and what is absent here—is an investment where one parts with his money in the hope of receiving profits from the efforts of others, and not where he purchases a commodity for personal consumption.” *Id.* at 858; *see also Grenader v. Spitz*, 537 F.2d 612 (2d Cir. 1976).

Under these principles, the VERI utilities tokens are, and are well understood to be, intended for consumption, not investment contracts. The SEC attempts to dismiss the utility of the VERI tokens by referring to it as merely “theoretical” (SEC Br. 21), but the utility of the tokens was both real and immediate. At the time of their initial sale, the tokens could be used

immediately to purchase Veritaseum proprietary research reports, and 24 token purchasers did exactly that. Middleton Dec. ¶24. Most purchasers, however, bought the tokens because they planned to use them to access Veritaseum's innovative blockchain-based software platform, which the company began to develop shortly after the initial token sale. Middleton Dec. ¶25. The platform (VeADIR) was beta tested and functional in early 2018, as Mr. Middleton had forecast at the time of the token sale and as he proved in his in-person demonstration to the SEC staff. Mr. Middleton did not make it available for broad use at that time in deference to the request of the SEC staff, which incorrectly viewed the VERI token as a security. Later that year, Veritaseum developed and released the blockchain-based precious metal application, which even the SEC does not contend implicates the securities laws. Until the freeze, that functionality also provided real utility to many VERI holders. Middleton Dec. ¶25.

Contrary to the SEC's distortion of the evidentiary record, Mr. Middleton and Veritaseum made clear to VERI token purchasers from the outset that they were not and should not be regarded as speculative investments. As detailed above, all prospective purchasers were directed to two agreements stating that the tokens would be "redeemable solely to Veritaseum LLC for various products and services offered by Veritaseum LLC," and advising "Purchasers [not to] expect income, profits, or economic cash flows to be derived from the ownership of Veritas." Middleton Dec. Ex. 7 at 1 & 2. And Mr. Middleton repeated these points over and over again in his extensive marketing of the tokens on YouTube, social media, and presentations. Middleton Dec. Exs. 9-10.

Mr. Middleton and Veritaseum quickly corrected prospective purchasers who referred to the tokens as an investment. Middleton Dec. Exs. 9-10. The SEC's motion papers claim that Mr. Middleton "encouraged one investor to speculate on the price of VERI." (SEC Br. 20;

Suthammanont Dec. Ex. 19) This potential purchaser contacted Mr. Middleton and informed him that he was “considering an investment up to \$100,000.” (*Id.*) But the SEC conveniently does not mention that Mr. Middleton promptly corrected the purchaser’s misunderstanding: “I would like to be clear that your characterization of the sale as an ‘investment’ is not how we are characterizing the offering or how we are selling it....We are simply a software and advisory vendor that offers a redemption in exchange for said services and products—some of which are yet to be built.” (*Id.*) The purchaser then confirmed, “I understand the agreement and what is being offered.” (*Id.*) Similarly, the SEC notes that a different person asked Mr. Middleton “how we can invest in your project.” (SEC Br. 9; Suthammanont Dec. Ex. 18) But the SEC once again omits Mr. Middleton’s reply: “We are not taking investors, but we are selling tokens....” Middleton Dec. Ex. 12.

The SEC also cites statements by Mr. Middleton referring to potential appreciation in the price of the VERI utility token and noting that they would be tradable on an exchange. (SEC Br. 20) Such statements do not transform the tokens into securities, since many asset classes—such as precious metals, jewelry, or antiques—can fluctuate in value but are not securities. Nor does the tradability of a useful item on an exchange turn it into a security, as shown by the now common practice of buying and selling concert and sports tickets on StubHub, at constantly fluctuating prices. Mr. Middleton’s utility tokens, like tickets, are not securities.

In any event, the full record now makes clear that actual VERI token holders well understand that the tokens were not intended as investments and bought them primarily so that they could use Veritaseum’s software platform, which they were excited about and understood was under development at the time of the initial token sale. The accompanying sworn statements of eleven VERI token holders definitively establish this decisive fact. One of the token holders

who participates in an online chat room focused on Veritaseum products observed, “Occasionally, people who are new to the chat room discuss the value of VERI, and they are educated by existing members that VERI is not an investment and that the price of the token is not relevant but the utility is.” Sheahan Dec. ¶5.

The only case cited by the SEC on the utility issue is an unpublished decision in a case involving a token sale bearing no resemblance to Mr. Middleton’s sale of utility tokens. *See Solis v. Latium Network, Inc.*, 2018 WL 6445543 (D.N.J. Dec. 10, 2018) (marked “NOT FOR PUBLICATION”). In that case, the Court held that LATX tokens were investment contracts notwithstanding their functionality (to pay for labor on the company’s platform). *Id.* at \*3. The Court based its ruling on allegations that the defendants’ “promotional materials, advertising methods, and public statements stressed the limited supply of tokens, and referred to [that company’s] ICO as a ‘unique investment opportunity’ that would ‘generate better financial returns[.]’” *Id.* Here, by contrast, Mr. Middleton and Veritaseum presented VERI tokens as useful solely to buy the company’s products and services, and routinely discouraged purchases by those seeking investment opportunities.

Indeed, no court has found a digital token to be a security where, as here, the token had immediate (as well as future) utility and was consistently marketed as not an investment. *See Balestra v. ATBCOIN LLC*, 380 F. Supp. 3d 340, 355 (S.D.N.Y. 2019) (advertisements promoted digital coins “as an investment that would generate profits”); *SEC v. Blockvest, LLC*, 2019 WL 625163, at \*7 (S.D. Cal. Feb. 14, 2019) (token advertised to “generate a pro-rated share of 50% of the profit generated quarterly”); *Hodges v. Harrison*, 372 F. Supp. 3d 1342, 1347 (S.D. Fla. 2019) (cryptocurrency buyers “expected to profit from their . . . investments”); *United States v. Zaslavskiy*, 2018 WL 4346339, at \*2 (E.D.N.Y. Sept. 11, 2018) (no “token or coin was ever

developed”); *Rensel v. Centra Tech, Inc.*, 2018 WL 4410126, at \*1 (S.D. Fla. June 25, 2018) (tokens sold to use non-existent technologies); *SEC v. Shavers*, 2013 WL 4028182, at \*2 (E.D. Tex. Aug. 6, 2013) (company “promised up to 1% interest daily,” later hiking that figure to 3.9%).

Accordingly, because the VERI utility token is not a security, the SEC cannot prevail on any of its claims in this case.

**B. The SEC Has Not Established a Likelihood of Prevailing on Its Securities Fraud Claims**

To maintain a claim for securities fraud, the SEC must prove that a defendant “(1) made a material misrepresentation or a material omission as to which he had a duty to speak, or used a fraudulent device; (2) with scienter; (3) in connection with the purchase or sale of securities.” *SEC v. Baldassare*, 2014 WL 2465622, at \*4 (S.D.N.Y. May 29, 2014) (quoting *SEC v. Monarch Funding Corp.*, 192 F.3d 295, 308 (2d Cir. 1999)); *SEC v. Kelly*, 765 F. Supp. 2d 301, 318 (S.D.N.Y. 2011) (quoting *Monarch Funding Corp.*, 192 F.3d at 308).

Here, the SEC cannot show a likelihood that their securities fraud claims would succeed on the merits. The SEC argues that Mr. Middleton and Veritaseum made misleading statements in three general categories: the existence and functionality of his software; the planned use for tokens unsold during the initial token sale; and the demand for VERI and the existence of various business deals. (SEC Br. 10-13)

The SEC has made no showing that Mr. Middleton acted with scienter with respect to any of these statements. “Scienter is a mental state ‘embracing intent to deceive, manipulate, or defraud.’” *SEC v. Yorkville Advisors, LLC*, 305 F. Supp. 3d 486, 511 (S.D.N.Y. 2018) (quoting *Ernst & Ernst v. Hochfelder*, 425 U.S. 185, 193 n.12 (1976)). The SEC asserts that, as Veritaseum’s CEO, he generally “knew the true state of affairs,” but presents no specific

evidence of his knowledge or recklessness. (SEC Br. 24) The SEC refers to Mr. Middleton’s testimony that public statements *could* affect demand, but this unremarkable proposition does not establish that he intended to deceive anyone. *Id.* It would be neither surprising nor evidence of scienter if Mr. Middleton made an occasional and unintended error in the context of his extensive campaign to market Veritaseum and its utility token on social media, YouTube, and elsewhere.

Nor has the SEC established a likelihood that it can prove falsity. “A violation of Section 10(b) and Rule 10b–5 premised on misstatements cannot occur unless an alleged material misstatement was false at the time it was made.” *In re Lululemon Securities Litigation*, 14 F. Supp. 3d 553, 571 (S.D.N.Y. 2014) (citing *San Leandro Emergency Med. Grp. Profit Sharing Plan v. Philip Morris Cos., Inc.*, 75 F.3d 801, 812–13 (2d Cir. 1996)). “[F]alsity is a failure to be truthful—it is not a misapprehension, misunderstanding, or mistake of fact at the time a statement was made.” *Id.* Likewise, “expressions of puffery and corporate optimism do not give rise to securities violations.” *Rombach v. Chang*, 355 F.3d 164, 174 (2d Cir. 2004).

*First*, the SEC cannot sustain its claims that Veritaseum misrepresented the functionality and capabilities of its software. By July 2015, the BTC-based platform had become functional. Dworzniak Dec. ¶4. While Veritaseum decided to create a new platform using different blockchain technology in 2017, Veritaseum’s promotional materials made this decision abundantly clear. For example, in the “Google Presentation” cited repeatedly by the SEC, Veritaseum stated that “[w]e are porting our Veritaseum platform over to Ethereum.” Middleton Dec. Ex. 6 at 2. In the same document, Veritaseum stated that it did not expect to release the new platform until the first quarter of 2018. *Id.* at 42. It also cautioned prospective customers to expect “delays” and “snafus.” *Id.* at 37.



The SEC alleges that Veritaseum falsely claimed that its “new” product was “functional now as beta” (SEC Br. 11), but misleadingly plucks the statement out of context. The entire statement reads, “This platform is functional now as beta, and has been operational on the Bitcoin public blockchain since 2013.” Middleton Dec. Ex. 6. That statement was correct. Veritaseum made no such claim regarding its “new” Ethereum-based system, which it disclosed was not expected to be developed for at least eight to ten months. Middleton Dec. ¶22.

The SEC also claims that Mr. Middleton had no basis to state that his products “*would* tap into ‘quadrillions’ of funds or replace financial institutions anytime in the foreseeable future, if ever.” (SEC Br. 12 (emphasis added)) In fact, Mr. Middleton made no such guarantee. Instead, Mr. Middleton cited that large number as the size of the potential market accessible to Veritaseum, as it is today by traditional financial institutions. At worst, this statement reflects the type of “corporate optimism” or “puffery” that is well recognized as not fraudulent. *See, e.g., Rombach*, 355 F.3d at 174.

*Second*, contrary to the SEC’s allegations, Mr. Middleton’s statements that he would limit his post-initial token sale sales of VERI to groups such as institutions and high net worth individuals were true. Mr. Middleton used the term “institutional purchases” as it is understood in the software industry, *i.e.*, bulk purchases rather than retail purchases. Middleton Dec. ¶46. As the SEC notes, some potential purchasers expressed concern about how Veritaseum would handle the tokens that were not sold during the initial sale. Middleton Dec. Ex. 18. Mr. Middleton assured them that, after the initial sale, the unsold tokens would be held in reserve for bulk purchases by institutions and high net worth individuals. *See e.g., id.* After the initial sale concluded, Mr. Middleton received inquiries from individuals who missed the sale but still

wished to acquire tokens. Mr. Middleton consistently informed them that at that point Veritaseum would sell tokens only in bulk. *See, e.g.*, Middleton Dec. Ex. 19.

The SEC asserts that after the initial token sale Mr. Middleton continue to sell VERI “to any investor who would buy them.” (SEC Br. 13) But on several occasions after the initial sale, Veritaseum expressly *declined* to sell VERI tokens to prospective purchasers. Veritaseum told one prospective purchaser, “I am afraid I cannot accept your payment because you are trying to invest (this is a software purchase not an investment, please read the terms and conditions as well as the product purchase agreement below) . . . .”. Middleton Dec. Ex. 20. And Veritaseum rejected another purchase that did not meet his minimum (which varied over time) for a bulk purchase: “Sorry we cannot accept purchases under 20,000 USD.” Middleton Dec. Ex. 21.

*Third*, Mr. Middleton’s statements regarding Veritaseum’s business deals were not materially misleading. Mr. Middleton entered into discussions with multiple individuals and institutions regarding how Veritaseum’s technology could be leveraged to benefit their businesses. For example, in June 2017, Mr. Middleton was introduced to Paul Reece, the President and CEO of Fly Jamaica, a new airline based in Kingston, Jamaica. Middleton Dec. Ex. 23. At that time, Fly Jamaica explored the idea of using digital tokens for airline miles and loyalty points and to obtain financing from hedge funds. Middleton Dec. ¶57. Veritaseum explored similar deals with the Ganga Growers Association of Jamaica, a medical marijuana startup (Middleton Dec. ¶58), Lito Green Motion Inc., an emerging electric motorcycle company in Quebec (Middleton Dec. Ex. 24), and orally agreed with a member of the government of Jamaica to use VERI to facilitate transactions in distressed Jamaican real estate (Middleton Dec. ¶58). Mr. Middleton and Veritaseum also worked on a transaction intended to use Veritaseum technology to raise funds for a family medicine clinic and transition it to new owners. Middleton

Dec. ¶59. The owner initially encouraged Veritaseum to develop a detailed transaction plan, but ultimately Mr. Middleton withdrew from the transaction when he sensed that the owner was not comfortable selling the clinic. *Id.* at ¶59; Ex. 25.

Mr. Middleton approached the Jamaica Stock Exchange (JSE) with the idea to sell Veritaseum's technology, including the utility tokens, to the JSE. After several meetings, the Chairman of the JSE's Board of Directors entered into a Memorandum of Understanding with Veritaseum, under which Veritaseum would "sell, lease, rent, or lend its Veritas tokens" to the exchange "for the purposes of consulting on, advising on and building a digital asset exchange." Middleton Dec. Ex. 26. The JSE's Chairman and its Managing Director agreed to be photographed shaking hands with Mr. Middleton on a ground-breaking transaction. Middleton Dec. Ex. 27. Understandably, Mr. Middleton made public statements about his success in securing a major business partner for Veritaseum. Middleton Dec. Ex. 28.

Around November 2017, however, JSE stopped responding to Mr. Middleton's efforts to move the transaction forward, despite having made significant progress on a binding joint venture agreement. Middleton Dec. ¶62, Exs. 29-30. Unknown to Mr. Middleton at the time, SEC representatives had contacted the JSE as part of the SEC's investigation of Mr. Middleton and Veritaseum. Kornblau Dec. Ex. B. The SEC has refused, on privilege grounds, to disclose the contents of its discussions with the JSE. *Id.* The sequence of events, however, strongly suggests that the JSE lost interest in the transaction following its discussions with the SEC, which caused Veritaseum to lose a significant business opportunity. In its brief, the SEC belittles Mr. Middleton's transaction with the JSE because "there was no 'visible distribution' of VERI tokens with respect to that deal" (SEC Br. 13), but the SEC does not mention its own interactions with the JSE at the time.

**C. The SEC Has Not Established a Likelihood of Success on Its Market Manipulation Claim**

To establish a claim of market manipulation under Section 9(a)(2) of the Exchange Act, the SEC must show that Mr. Middleton engaged in “a series of transactions in any security... creating actual or apparent active trading in such security, or raising or depressing the price of such security, for the purpose of inducing the purchase or sale of such security by others.” 15 U.S.C. § 78i(a)(2). This statute is not intended “to prohibit market transactions which may raise or lower the price of securities, but to keep an open and free market where the natural forces of supply and demand determine a security's price.” *SEC v. Malenfant*, 784 F. Supp. 141, 144 (S.D.N.Y. 1992) (quoting *Trane Co. v. O'Connor Securities*, 561 F. Supp. 301, 304 (S.D.N.Y. 1983)).

In this case, the SEC cannot establish a likelihood of either manipulative conduct or manipulative intent. The SEC relies on a series of purchases of VERI by Mr. Middleton on June 4, 2017, on a digital trading platform called EtherDelta. But Mr. Middleton entered these trades to test the trading platform, not to manipulate the market.

After the initial sale of VERI tokens in April and May 2017, Mr. Middleton planned to reserve future sales for bulk purchases and did not wish to make direct sales of small amounts of the tokens. Middleton Dec. ¶36. He discovered a new cryptocurrency exchange called EtherDelta, which, to his knowledge, was the first-ever “decentralized exchange.” *See id.*; [https://en.m.wikipedia.org/wiki/Decentralized\\_exchange](https://en.m.wikipedia.org/wiki/Decentralized_exchange).

Mr. Middleton thought that EtherDelta could serve as an alternative source of tokens for small purchases. Middleton Dec. ¶37. He also thought that, with sufficient volume, it could potentially be a reliable indicator of efficient token pricing, which Veritaseum could use to set fair prices for its own bulk token sales. *Id.* In essence, Mr. Middleton wanted to price bulk sales

of the utility tokens based on the “wisdom of the crowd.” *See* [https://en.wikipedia.org/wiki/Wisdom\\_of\\_the\\_crowd](https://en.wikipedia.org/wiki/Wisdom_of_the_crowd).

Before directing prospective retail token purchasers to EtherDelta, Mr. Middleton viewed it as imperative to test the exchange to determine if it worked as intended and did not create undue risk for users. Testing was especially important because the exchange was built on a new type of software using a new exchange model that was extremely different from any other software he had used, and because there had been little to no activity on the exchange. Middleton Dec. ¶38.

Five days before the trading in question, Mr. Middleton publicly announced that Veritaseum is “[t]esting EtherDelta as a method of distributing post-Offering Veritas tokens.” Middleton Dec. Ex. 15. And the day before the trades, Mr. Middleton publicly announced, “We setup the Etherdelta VERI ticker as an experiment....Please be aware that Etherdelta has very little traffic and liquidity... hence the trade results there will be very different from something like Kraken or Bittrex [established cryptocurrency exchanges]... Etherdelta will not reflect any of this liquidity or demand.” Middleton Dec. Ex. 16.

On June 4, 2017, Mr. Middleton did exactly what he had broadcast to token holders that he would do. To explore the functionality of the various options on the EtherDelta site, he entered a number of buy transactions in VERI tokens on EtherDelta. Some were limit orders and some were market orders. The prices went up and down, not just up as the SEC contends. Middleton Dec. ¶41; Doody Dec. Ex. 15.

These facts are fundamentally inconsistent with market manipulation, since they show that Mr. Middleton was trading to test a new exchange, not to induce token purchases. The SEC’s manipulation theory is inconsistent with the facts and makes no sense:

*First*, the SEC calls Mr. Middleton’s trading on June 4 “secret.” (SEC Br. 2) But, as noted, Mr. Middleton pre-announced it to the market. His transparency undermines any allegation of manipulative intent.

*Second*, it appears that the SEC has exaggerated the number of Mr. Middleton’s purchases on June 4, 2017. The SEC points to 52 executions on that day (SEC Br. 2, 14; Doody Dec. ¶ 19), but the bunching of many trades at identical or nearly identical prices suggests that he entered a smaller number of limit orders, each of which resulted in multiple partial fills.

*Third*, the prices of Mr. Middleton’s trades decreased as well as increased during his alleged run of manipulative trading. Doody Dec. Ex. 15. This pattern is consistent with test trading, not market manipulation.

*Fourth*, according to the SEC, the purpose of these trades was to “serve[] Middleton’s interest, as he was the holder of 98% of the remaining VERI Tokens and continued to sell them post-ICO in private transactions at prices explicitly pegged to the prices on EtherDelta.” (SEC Br. 27) But Mr. Middleton did not cause Veritaseum to sell any VERI at all on June 4. After his last purchase, the prices of VERI on EtherDelta were presumably set by other buyers and sellers, not Mr. Middleton. (The SEC has presented no data on this point.) Moreover, Veritaseum’s post-June 4 sales of VERI tokens (totaling approximately 10,117 tokens through the end of June) represented only a minuscule portion of Mr. Middleton’s holdings of approximately 98 million tokens, which he continued to hold. Middleton Dec. 44. This is not the behavior of someone intending to manipulate a market in order to cash in on an artificially high price.

*Fifth*, to support an argument that Mr. Middleton’s June 4 trades involved “pushing liquidity” into EtherDelta, the SEC misreads an email that Mr. Middleton sent on June 1, 2017. (SEC Br. 27) Reflecting his desire for EtherDelta to have sufficient liquidity to create “wisdom

of the crowd” pricing for Veritaseum’s bulk token sales, he commented that “the Etherdelta market is not accurate because of the very, very low volume. I will try to push more volume in.” Middleton Dec. Ex. 14. Indeed, Mr. Middleton continued to encourage small purchasers to buy tokens on EtherDelta long past June 4. Middleton Dec. Ex. 19.<sup>2</sup>

*Finally*, Mr. Middleton’s true intent is revealed by his successful effort to help EtherDelta *prevent* market manipulation. He detected a flaw in EtherDelta’s trading platform that he believed created an opportunity for others to manipulate it. He devised a solution for the problem and directed a Veritaseum colleague to bring it to the attention of EtherDelta’s founder, who immediately implemented it. Middleton Dec. Ex. 17. These actions reflected a sincere desire to help holders of his tokens, not an intent to engage in market manipulation.

### CONCLUSION

For the foregoing reasons, the Court should deny the SEC’s application for a preliminary injunction continuing the temporary asset freeze. In addition to lifting the asset freeze, the Court should vacate the TRO’s provisions regarding appointment of an Independent Intermediary, expedited discovery, and document preservation. The SEC has not established a need for any of these provisions.

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<sup>2</sup> The SEC misleadingly cites the same email in an effort to show that Mr. Middleton boasted about the value of his VERI holdings based on their trading price. But Mr. Middleton pointed out in the email that the imputed value of his holdings was unreliable because “the Etherdelta market is not accurate.” Middleton Dec. Ex. 14. The true purpose of the email was to encourage an impressionable teenage African American employee to work hard to build a business rather than focusing on owning “a car or gold chain.” *Id.* Mr. Middleton counseled, “That’s how I want every young black man and woman to think.” *Id.*

Dated: August 19, 2019

Respectfully submitted,

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**UNITED STATES DISTRICT COURT  
EASTERN DISTRICT OF NEW YORK**

SECURITIES AND EXCHANGE  
COMMISSION,

Plaintiff,

-v.-

REGINALD (“REGGIE”) MIDDLETON,  
VERITASEUM, INC., and VERITASEUM,  
LLC,

Defendants.

Case No. 19-cv-04625 (WFK)

**DECLARATION OF DAVID L. KORNBLAU**

I, David L. Kornblau, pursuant to 28 U.S.C. § 1746, declare as follows:

1. I am a partner with the law firm Covington & Burling LLP. I am lead counsel for the defendants in this action.

2. I submit this declaration in opposition to the SEC’s Emergency Application for a Temporary Restraining Order Freezing Assets and Granting Other Relief, dated August 12, 2019.

The SEC Staff Reneged on Their Commitment to Give Defendants a Meaningful Opportunity to Rebut Their Fraud Allegations During a Two-Year Investigation

3. The SEC staff commenced an investigation of Mr. Middleton and Veritaseum approximately two years ago. Mr. Middleton and Veritaseum produced to the SEC staff voluminous documents and information in response to multiple subpoenas and dozens of informal requests. Mr. Middleton also gave sworn testimony in five different full-day sessions. Two other individuals who worked for Veritaseum also testified.

4. Beginning last summer, I repeatedly asked the SEC staff to give us an opportunity to address informally any statements that the staff believed might be evidence of fraud. I asked the SEC staff not to wait until the end of the investigation and give us only a short time to respond. The SEC staff agreed, and indicated that they would provide us with a list of items to respond to.

5. The SEC staff never provided us with the promised list.

6. Instead, a year later, on July 30, 2019, the SEC staff sent us a Wells notice, which stated that they had made a preliminary determination to recommend that the Commission file an enforcement action against Mr. Middleton and Veritaseum, and listed the statutory violations that could be alleged in the action. In a telephone call the same day, I asked the staff to identify the evidence of fraud that they were relying on. The staff said that, in their view, the evidence of manipulative intent “speaks for itself” and generally described the topics of the allegedly fraudulent statements, but refused to identify any specific evidence. The staff said that we should look for the evidence ourselves in the transcripts of the testimony that Mr. Middleton had given on five days (for roughly 35 hours or more) over the course of the investigation.

7. Although the SEC staff took two *years* to conduct their investigation, which was still continuing, they gave us only two *weeks* to provide a written response to vague allegations of wrongdoing. We declined.

#### Rebuttal of the SEC’s Claim That Mr. Middleton Had Dissipated Assets

8. At 10:12 a.m. on Friday, August 2, 2019, SEC attorney Victor Suthammanont sent me an email requesting that Veritaseum and Mr. Middleton enter a written agreement not to move or convert any Ethereum (“ETH”), a cryptocurrency, without notice to the staff. Mr. Suthammanont said the SEC staff would need an answer from my client as quickly as possible.

He said that they would like to speak to me that day if possible, and that they would be available after 11 a.m.

9. I replied by email 20 minutes later, and we arranged to speak at 12:30 p.m. In that call, in relevant part, Mr. Suthammanont and SEC attorney Jorge Tenreiro repeated the request in Mr. Suthammanont's email. I asked them for the basis of the request. They stated, in substance, that on Tuesday or Wednesday of that week, the SEC had observed a transfer of around 10,000 units of ETH (worth approximately \$2 million) from a Veritaseum digital wallet, a small portion of which was then converted to U.S. dollars on a digital exchange. They also noted that the transfer had occurred after the SEC staff had recently sent me a Wells notice. I said I would look into the transfer and get back to them.

10. I called the SEC attorneys back a short time later, and explained, in substance, my understanding that the transfer they observed was not a dissipation of assets; rather, it was merely the funding of Veritaseum's ongoing business operations and was in line with previous similar transfers for the same purpose. I also noted that Mr. Middleton expected that Veritaseum's legal expenses would increase as a result of the Wells notice.

11. Regarding the prior transfers, I pointed out to the SEC attorneys that Mr. Middleton had transferred from the same digital wallet approximately the same amount (9,880 ETH) on February 15, 2019, and exactly the same amount (10,000 ETH) on June 2, 2018. I further explained that I understood that, for security reasons, Mr. Middleton's practice was to make only occasional transfers from that wallet (which held a large quantity of ETH and could be analogized to a savings account) to other digital wallets and accounts used for day-to-day business expenses (which could be analogized to checking accounts). All of these transfers were

fully visible in detail on the blockchain to the SEC and anyone else with the Veritaseum wallet address and an internet connection.

12. Nonetheless, in an effort to allay any concern about potential dissipation of assets, I informed the SEC staff that Mr. Middleton would be willing to inform them of digital asset transfers exceeding the equivalent of \$600,000 in a calendar month, based on Mr. Middleton's estimate of Veritaseum's monthly operational expenses, including anticipated higher legal fees.

13. In the same call or another call later the same day (Friday, August 2), the SEC lawyers asked me to provide them with an estimated budget showing Veritaseum's expected monthly expenses. I agreed to provide that information on the following Monday.

Rebuttal of the SEC's Claim that Veritaseum's Ongoing Business Was Inconsistent with Mr. Middleton's Representations to Token Buyers

14. At 2:29 p.m. on Monday, August 5, 2019, I emailed to the SEC lawyers a list of Veritaseum's anticipated approximate monthly expenses, which totaled approximately \$647,000.

15. At 3:21 p.m., Mr. Suthammanont sent me an email asking for an explanation of a line item of approximately \$135,000, for "FX/Currency/Value store engine." I explained that that expense category was for purchases of precious metals for "tokenization." (I understand that, until Veritaseum's assets were frozen, the company offered for sale digital tokens representing blockchain-based interests in gold and other precious metals.)

16. At 5:24 p.m., Mr. Suthammanont told me by email that SEC staff had "serious concerns about the proposed level of spending, which does not seem to be [sic] appropriate use of investor funds in light of what was told to investors." In his email, Mr. Suthammanont asked to arrange a call with me that evening to learn more details about the "proposed spending" and hear a "more reasonable proposal."

17. At 5:24 p.m., I proposed to speak at 8 p.m. (I could not speak to them earlier because I was in transit). I also asked the SEC lawyers by email what representation Mr. Middleton had made that would prevent him from expanding his business and creating additional utility for Veritaseum digital token holders.

18. At 6:04 p.m., Mr. Suthammanont replied by email, “As to your question, and not limiting ourselves to this one example, Mr. Middleton described the use of the assets in VERI0001000-155946. We do not see how the spending below aligns with those representations.”

19. The document referred to by Mr. Suthammanont, attached as Exhibit A, describes a large number of planned uses for Veritaseum tokens, including “Gold exposure pool” and “Buy 1 yr. \$50k of Gold exposure, paying with \$50k of Silver exposure contract.” The document also notes, “All transactions and assets take place through the blockchain...”

20. Around 8 p.m., I spoke to Mr. Suthammanont, Mr. Tenreiro, and their supervisor, John Enright. I pointed out to them that the document cited by Mr. Suthammanont (which they said had been made available to Veritaseum token purchasers in 2017) accurately described the blockchain-based precious metals business that Veritaseum had developed and was then operating. The SEC lawyers seemed surprised by the content of the document they had cited to me, which contradicted their allegation that Veritaseum’s spending did not “align” with representations Mr. Middleton had made to Veri purchasers.

21. Towards the conclusion of the call, Mr. Enright asked me if Mr. Middleton was willing to propose a reduction in Veritaseum’s anticipated spending level. I said I didn’t see how that was appropriate, since Mr. Middleton had given the SEC an estimate of the spending needed to operate an ongoing business, including anticipated increased legal expenses resulting from

their Wells notice. Nonetheless, I told the SEC attorneys that I would consult with Mr. Middleton if they proposed a lower spending notification threshold. Mr. Enright replied that they would not do so.

The SEC's Filing of an Asset Freeze Application Based on a Non-Existent "Emergency"

22. Late in the morning of Monday, August 12, 2019, Mr. Enright and Mr. Tenreiro notified me by telephone that the SEC was in the process of filing an enforcement action against Mr. Middleton and Veritaseum and seeking an emergency temporary restraining order to prevent the future dissipation of assets.

23. I proceeded to the courthouse. Around 2 p.m., Mr. Tenreiro and Mr. Suthammanont handed me a copies of the SEC's complaint and motion papers, which were approximately 3 inches thick. I read them as quickly as I could.

24. Later that afternoon, both sides appeared before the Honorable LaShann DeArcy Hall, sitting as Miscellaneous Judge. I was permitted to make oral arguments, but Judge Hall denied my request to file a written response to the SEC's application the following day. At 6:10 p.m., Judge Hall issued a temporary restraining order freezing Veritaseum's assets, but declined the SEC's request to order a freeze of Mr. Middleton's personal assets.

Additional Exhibit

25. I have attached as Exhibit B a copy of the SEC's Responses and Objections to Defendants' First Set of Interrogatories to Plaintiff, dated August 17, 2019.

I declare under penalty of perjury that the foregoing is true and correct.

Dated: August 19, 2019

s/ David L. Kornblau  
\_\_\_\_\_  
David L. Kornblau

# **Exhibit A**



# Veritaseum

## Legend

Beta phase, functional on public blockchain for years but needs work, ie. scaling, stability, UX, security audit, reporting engine, etc.

Conceptual phase

Native Blockchain Token used to purchase Veritas (ie. BTC, ETH)

Ve tokens – used as the universal key to gain access to...

### Veritaseum Legacy Asset Exposure Pools

S&P 500 Index exposure pool

Gold exposure pool

Multi-strategy Hedge Fund Index exposure pool

### Veritaseum P2P OTC Direct Contracts

(already built, needs further development)

Buy 3 month \$30k Northwest Brent crude oil exposure for \$30k USD, contract 2x leverage multiplier

Buy 1 yr, \$50k of Gold exposure, paying with \$50k of Silver exposure contract

Sell \$1k of exposure of Intel for \$1k exposure to Qualcomm for \$100 for 18 months

### Tools Needed to Create Bespoke Asset Exposure Pools

JP Morgan creates regulated long/short tech fund

Hedge Funds create tokens to facilitate instant LP liquidity

Real Estate Developer creates digitized future cashflow pools

### Templates Needed to Create Bespoke P2P Value Exchange Smart Contracts

Samsung creates P2P Letter of Credit on shipment of 1000 Galaxy S8+ units to Best Buy, with autonomous geolocation awareness – WITHOUT A BANK

A NYC real estate developer & London property hedge fund agree to swap 2 year future cash flows for their marquis holdings, thru blockchain

ARAMCO creates native Dinar contracts in bid to create its own commodity basket based reserves to gain independence from USD

Veritaseum consulting and advisory services as capacity permits. Unlimited access to research.

Ve token conversion & liquidity engine provides liquidity in and out of various tokens, regardless of native blockchain. We are aiming to provide a Ve.USD token that closely tracks the USD, devoid of blockchain native volatility & are redeemable for USD. Ve can be used simply to gain access to these software pools, or as the actual funding token as well. This has not been built as of yet, and still in the conceptual phase.

All transactions and assets take place through the blockchain, and exchange the blockchain for opposing counterparties. The result is, as long as the blockchain itself is resolute, counterparty and credit risk is eliminated. Furthermore, no users of these pools or the platform is exposed to Veritaseum's balance sheet in anyway whatsoever.

Asset pool construction and composition will be open-sourced (unless individual entities wish to create their own private pools, ie. banks or funds or even Veritaseum itself), and the development, software engineering and financial engineering community are welcomed to participate in the creation of the P2P economy.

Open sourced pools will not have any fees or expenses other than what it takes to keep them operational. Custom, Veritaseum-written P2P contracts may have fees attached.



# **Exhibit B**

**UNITED STATES DISTRICT COURT  
EASTERN DISTRICT OF NEW YORK**

SECURITIES AND EXCHANGE COMMISSION,

Plaintiff,

-- against --

REGINALD (“REGGIE”) MIDDLETON,  
VERITASEUM, INC., and VERITASEUM, LLC,

Defendants.

**19 Civ. 4625 (WFK)**

**ECF Case**

**PLAINTIFF SECURITIES AND EXCHANGE COMMISSION’S  
RESPONSES AND OBJECTIONS TO DEFENDANTS’  
FIRST SET OF INTERROGATORIES TO PLAINTIFF**

Pursuant to Federal Rules of Civil Procedure (“Federal Rules”) 26 and 33, and the Local Civil Rules of the United States District Court for the Southern and Eastern Districts of New York (“Local Rules”), Plaintiff Securities and Exchange Commission (“Commission”) hereby responds to Defendants Reginald (“Reggie”) Middleton, Veritaseum, Inc., and Veritaseum, LLC’s (“Defendants”) First Set of Interrogatories to Plaintiff (“Interrogatories”). The Commission’s responses and objections to the Interrogatories are made to the best of its present knowledge, information, or belief. These responses and objections are made without prejudice to the Commission’s right to revise or supplement its responses and objections as appropriate and to rely upon and produce witnesses or evidence at trial or at any hearing or other proceeding. The Commission does not waive any applicable privilege or protection by providing these responses.

**DEFINITIONS USED IN THE RESPONSES AND OBJECTIONS**

1. The “Investigation” means the Commission staff’s investigation captioned *In the Matter of Veritaseum, Inc.* (File No. NY-9755).

2. The “Litigation” means the instant Commission civil enforcement action.

3. “Non-privileged” means not protected by any privilege or protection, including without limitation the attorney-client privilege, the work product doctrine, the deliberative process privilege, or the law enforcement privilege.

### **GENERAL OBJECTIONS**

1. The Commission objects to the definition of “SEC” to the extent that it purports to include within its scope divisions and persons not directly involved in the Investigation and Litigation. To the extent that the Interrogatories seek documents obtained or created by divisions and employees of the Commission other than those directly involved in the Investigation and Litigation, the Commission objects to those Interrogatories on the grounds that they seek information that is both not relevant to any party’s claim or defense and not proportional to the needs of the case. The Commission will produce only that Non-privileged information within the possession, custody or control of the divisions and employees of the Commission directly involved in the Investigation and Litigation.

2. The General Objection above is incorporated into the Specific Responses and Objections below to the Interrogatories.

### **SPECIFIC RESPONSES AND OBJECTIONS**

#### **Interrogatory No. 1**

For each written and non-written communication between the SEC (on the one hand) and the Jamaica Stock Exchange or the Jamaican government (on the other hand) concerning any Veritaseum Entity or Reginald Middleton, from January 1, 2017 to the present, identify (a) all of the participants (including titles), (b) the date and time of the communication, and (c) the content of the communication.

**Response**

The Commission objects to Interrogatory No. 1 on the following grounds: it seeks information (1) that is neither relevant nor proportional to the needs of the case; (2) that is not “reasonable” for purposes of expedited discovery under Part VII of the Order; and (3) that is privileged and protected, including without limitation by the work product doctrine, and for which no privilege has been waived, pursuant to Section 24(f)(1) of the Securities Exchange Act of 1934, 15 U.S.C. § 78x(f)(1). In response to Interrogatory No. 1, notwithstanding and without waiving these objections and the Specific Objection, the Commission avers that between October 25, 2017, and November 8, 2017, Mickael Moore of the Commission’s Office of International Affairs and Angela Bailey and Marlene J. Street exchange at least five emails or written communications. In addition, Jorge G. Tenreiro and Valerie Szczepanik of the Commission’s Division of Enforcement, participated with Mr. Moore in a telephonic conversation with members of the Jamaican Stock Exchange on or around that time.

Dated: New York, New York  
August 17, 2019

SECURITIES AND EXCHANGE COMMISSION

By: /s/ Victor Suthammanont  
Victor Suthammanont  
Jorge Tenreiro  
Karen Willenken

200 Vesey Street, Suite 400  
New York, NY 10281  
(212) 336-9145 (Tenreiro)

*Attorneys for Plaintiff*

**UNITED STATES DISTRICT COURT  
EASTERN DISTRICT OF NEW YORK**

SECURITIES AND EXCHANGE  
COMMISSION,

Plaintiff,

-v.-

REGINALD (“REGGIE”) MIDDLETON,  
VERITASEUM, INC., and VERITASEUM,  
LLC,

Defendants.

Case No. 19-cv-04625 (WFK)

**DECLARATION OF REGINALD MIDDLETON**

I, Reginald Middleton, pursuant to 28 U.S.C. § 1746, declare as follows:

1. I am the founder of defendants Veritaseum, Inc., and Veritaseum, LLC. I am also a defendant in this action.

2. I submit this declaration in opposition to the SEC’s Emergency Application for a Temporary Restraining Order Freezing Assets and Granting Other Relief, dated August 12, 2019.

3. The facts set forth herein are based on my personal knowledge, and I would testify as follows if called upon to do so.

**My Background and Experience as a Financial Analyst**

4. I grew up on Long Island, earned a bachelor’s degree in business management at Howard University in 1990, and have lived in Brooklyn for 26 years.

5. I started working in the financial industry in 1990. My first job was at Prudential Insurance, where I was trained in financial product sales. I later worked in the financial securities and risk management fields.

6. I gained recognition in 2008 for research reports I authored that anticipated the financial crisis. (Exs. 1-3)

7. One reporter described me as having “been startlingly accurate in the past. He forecast the collapse of the housing market in 2007, and in early 2008 warned of the demise of Bear Stearns weeks before it happened. Earlier this year, he said that Ireland's finances were in terrible shape long before Standard & Poor's got around to downgrading that nation's credit rating.” Elstein, *Crain's New York Business* (Aug. 29, 2010). (Ex. 4)

8. In 2007, I founded “Boom Bust Blog,” a commercial financial advisory with thousands of subscribers.

9. In 2013 and 2014, I won CNBC's “Stock Draft.”

10. My views on the financial markets have been published on HuffPost, to which I was a regular contributor, and broadcast on CNBC as a regular contributor, Bloomberg, and RT News as a regular contributor.

### **My Initial Blockchain Start-up Venture**

11. In 2013, I decided to apply my research background and skills to the emerging digital asset and cryptocurrency industry. I conceived of an idea for a software platform that would use the blockchain to facilitate swap transactions directly between two or more parties at very low cost, without the need for brokers, agents, exchanges, banks, or other intermediaries. The transactions would occur on the Bitcoin (BTC) blockchain, the dominant blockchain technology at the time.

12. I raised “angel” capital and recruited six individuals, including software developers, engineers, and financial analysts, to model and create this software platform, which ultimately required 54,000 lines of code.

13. To create this product, the company eventually paid approximately \$346,000 to software developers and engineers and to cover other development-related expenses, such as financial and macro analysis, strategy and design.

14. By around January 2014, the platform had become functional and was ready to be used by outside parties unconnected with its development. This final stage of software development is commonly known as “beta testing.” Beta testing occurred throughout 2014. Although the testing took place on an anonymous basis, I estimate that the number of users was over 100.

15. On July 23, 2014, I demonstrated the functionality of this platform with the lead software developer on the project. A video of this demonstration can be found on YouTube at <https://youtu.be/dV27kQnUKHc?t=144>.

16. Like many start-up ventures, my initial, BTC-based platform did not make it to market. Although the platform was functional, I became concerned that it could encounter regulatory obstacles because of guidance from the Commodity Futures Trading Commission that indicated that it could potentially be regulated as a Swap Execution Facility. (Ex. 5)

17. The venture’s capital had also become depleted. In addition, I became aware of limitations inherent in the BTC blockchain that restricted future development and expansion of the platform. I decided to halt further work on the project.

### **My Second Blockchain Venture and Sale of “VERI” Utility Tokens**

18. Around April 2017, I launched a second venture. I envisioned this business to

include the sale of proprietary research reports on digital assets and the development of a software platform on the Ethereum (ETH) blockchain. The platform was later named the VeADIR (pronounced “Vader”), shorthand for Veritaseum Autonomous Dynamic Interactive Research.

19. The Ethereum blockchain, unlike the Bitcoin blockchain, allows for more efficient development and the direct use of a technology known as “smart contracts,” which automatically execute transactions in a cryptographically secure manner according to terms determined by the parties. The VeADIR platform was intended to be a flexible system that permitted “peer to peer” exchanges of a potentially wide range of assets. (Peer-to-peer is a technical term referring to a distributed software application architecture that allows users to deal with each other directly.)

20. The initial version of the platform would allow users to obtain financial exposure to a portfolio of blockchain-based digital assets, as determined by ongoing Veritaseum research.

21. I assembled a talented global team to develop and execute my business plan, including software developers; financial and research analysts; engineers; database, clerical, operations, and administrative personnel; compliance experts; hedge fund deal acquisition specialists; customer relations personnel; legal counsel; and business development personnel. The VeADIR platform required an entirely new code base, architecture, and concept.

22. I publicly stated that, while our bitcoin-based platform “was functional now as beta,” (Ex. 6 at 16), “[w]e are porting our Veritaseum platform over to Ethereum,” (*id.* at 2), and did not expect to release the new platform until the first quarter of 2018, at the earliest (*id.* at 42). I cautioned prospective customers to expect “delays” and “snafus.” (*id.* at 37.)

23. I sold digital utility tokens (Veritas, or VERI), in what is commonly referred to as an Initial Coin Offering, or ICO, from April 25 through May 26, 2017.



24. Token purchasers could use them immediately to purchase Veritaseum research reports. In fact, 24 token purchasers bought research reports, beginning on June 12, 2017, shortly after the initial token sale. (Ex. 32)

25. In addition, the tokens could later be, and in fact were, used to access the VeADIR. Until the asset freeze, VERI tokens had been in active use within the VeADIR. One use allowed average retail users from around the world to purchase pure gold at spot prices, prices that were previously the sole purview of large institutions such as global banks.

26. Unlike the sponsors of most ICOs, which are documented solely by vague “white papers,” I and other Veritaseum personnel directed all potential purchasers of VERI utility tokens to two agreements describing in detail the terms of sale and uses of the tokens: (1) Terms and Conditions of the Veritas (VERI) Sale (Ex. 7), and (2) the Veritas Product Purchase Agreement (Ex. 8).

27. On April 24, 2017—the day before the ICO began—I explained these documents to potential purchasers in a video tutorial that is available on YouTube at <https://youtu.be/toiZuroVvjk?t=20>.

28. These legal documents explicitly state that the tokens represented prepayment for Veritaseum products and services and were not investments:

- “Veritas are redeemable solely to Veritaseum LLC for various products and services offered by Veritaseum LLC, or to access various features or aspects of the Veritaseum Platform or other Veritaseum LLC software products.” (Ex. 7 at 1.)
- “Purchasers [should not] expect income, profits, or economic cash flows to be derived from the ownership of Veritas.” (*Id.* at 2.)
- The purchaser “represents and warrants that Purchaser is not exchanging bitcoin (BTC) for Veritas for the purpose of speculative investment.” (Ex. 8 at 1.)

The documents also explicitly warn purchasers that the company may be unable to

develop or may abandon the software platform, and would not provide refunds:

- “[W]hile Veritaseum LLC will make reasonable efforts to continue developing features of the Veritaseum Platform software, it is possible that a desired version of the Veritaseum Platform may not be released and there may never be an operational Veritaseum Platform with the desired features. It is also possible that even if Veritaseum LLC releases a desired version of the Veritaseum Platform, due to a lack of public interest in decentralized applications or the Veritaseum Platform itself, the Veritaseum Platform could potentially be abandoned or shut down for lack of interest.” (*Id.* at 2.)
- “Purchaser also understands that Veritaseum LLC will not provide any refund of the purchase price for Veritas under any circumstances.” (*Id.* at 1.)

29. I marketed the tokens via the company’s website (<https://veritas.veritaseum.com>), YouTube videos, social media, in-person presentations, and communications with individual purchasers. I consistently emphasized the potential uses of the blockchain-based software platform Veritaseum was developing and that the tokens should not be purchased as an investment or for speculation.

30. For example, in one YouTube video, titled “VERI, VeADIRs & Disruption: Utility Trumps Speculation,” I discussed the research reports being sold by Veritaseum. This video can be accessed on YouTube at <https://www.youtube.com/watch?v=vY5CRJcNlCs>.

31. In addition, on more than 20 occasions, I reminded people that VERI tokens are not investments. (Exs. 9-10)

32. For example, I posted on Twitter, “Veritas is software, not . . . an investment. If you don’t understand it then it’s best you don’t purchase it.” (Ex. 11) On another occasion, when an individual offered to “invest in [my] project,” I quickly informed him that “[w]e are not taking investors.” (Ex. 12) I and other Veritaseum personnel consistently sent the same message to anyone who told them that they thought the tokens presented an investment opportunity.

33. The SEC cites a few examples where I referred to the potential for the tokens to

increase in value as Veritaseum developed and improved the products and services available to token holders. (SEC Br. at 8-10) These occasional statements were always made in the context of my presentations and communications focusing on the utility of the tokens to access cutting-edge technology and warning prospective buyers not to view the tokens as an investment. The increased value of the tokens stems directly from the increase in the things you were able to use the tokens for. These points were well understood by token purchasers.

34. The SEC took several of my quotes out of context and distorted their meaning. For example, the SEC cherry picks quotes from an extensive blog post to imply that I touted VERI as outperforming returns on two cryptocurrencies (Bitcoin and Ethereum) when I wrote that “Veritaseum and its Veritas tokens offer the best of both worlds.” SEC Br. 8. In fact, the blog makes clear that I was talking about technology (Bitcoin’s “network effect” and Ethereum’s “smart contracts engine”), not investment returns. (Ex. 13)

35. In another example, the SEC implies that I touted VERI’s potential investment return when I referred in a video to “30,000x returns in the ICO space.” (SEC Br. 8.) In fact, the statement refers to the potential for VERI holders to achieve high returns by *using* our research or software platform (VeADIR), which would enable them to gain exposure to a basket of other digital assets. I said in the video that “if you want expertise on say finding the next 30,000 percent banger, *you can redeem that token back to us* and we can help you, you could buy research or development from us, or you could participate in our machines.” Suthammanont Dec. Ex. 7 (video at 4:30-5:00). I did not liken VERI utility token to an investment or refer to possible appreciation in its value. That is not how I marketed the VERI. As demonstrated by the video, I consistently emphasized the token’s utility—how it could be *used* to access our research and technology.

### **My Test Trades on a New Cryptocurrency Exchange**

36. After the initial sale of VERI tokens in April and May 2017, I planned to reserve future sales for bulk purchases and did not wish to make direct sales of small amounts of the tokens. I discovered a new cryptocurrency exchange called EtherDelta, which, to my knowledge, was the first-ever “decentralized exchange.” *See* [https://en.m.wikipedia.org/wiki/Decentralized\\_exchange](https://en.m.wikipedia.org/wiki/Decentralized_exchange).

37. I thought that EtherDelta could serve as an alternative source of tokens for small purchases. I also thought that, with sufficient volume, it could potentially be a reliable indicator of efficient token pricing, which Veritaseum could use to set fair prices for its own bulk token sales. In essence, I wanted to price bulk sales of the utility tokens based on the “wisdom of the crowd.” *See* [https://en.wikipedia.org/wiki/Wisdom\\_of\\_the\\_crowd](https://en.wikipedia.org/wiki/Wisdom_of_the_crowd).

38. Before directing prospective retail token purchasers to EtherDelta, I viewed it as imperative to test the exchange to determine if it worked as intended and did not create undue risk for users. Testing was especially important because the exchange was built on a new type of software using a new exchange model that was extremely different from any other software I had used previously, and because there had been little to no activity on the exchange.

39. At that time, I did not believe the market was accurate because of its low liquidity. Reflecting this concern, I commented that “the Etherdelta market is not accurate because of the very, very low volume. I will try to push more volume in.” (Ex. 14) To help improve EtherDelta’s liquidity, I encouraged small purchasers to buy tokens on that exchange.

40. On May 31, 2017, I publicly announced that Veritaseum is “[t]esting EtherDelta as a method of distributing post-Offering Veritas tokens.” (Ex. 15) And on June 3, 2017, I publicly announced, “We setup the Etherdelta VERI ticker as an experiment....Please be aware that

Etherdelta has very little traffic and liquidity... hence the trade results there will be very different from something like Kraken or Bittrex [established cryptocurrency exchanges]... Etherdelta will not reflect any of this liquidity or demand.” (Ex. 16)

41. On June 4, 2017, I did exactly what I had broadcast to token holders that I would do. To explore the functionality of the various options on the EtherDelta site, I entered a number of buy transactions in VERI tokens on EtherDelta. Some were limit orders and some were market orders. The prices went up and down, not just up as the SEC contends.

42. My purchases were nothing more than the testing of a new exchange, which I believed would benefit VERI holders. I did not trade to induce anyone else to buy tokens.

43. After my last purchase on EtherDelta on June 4, the prices of VERI on EtherDelta were set by other buyers and sellers, not by me.

44. The sales of VERI tokens after June 4 (totaling approximately 10,117 tokens through the end of June) represented only a minuscule portion of my holdings of approximately 98 million tokens.

45. In addition, I detected a flaw in EtherDelta’s trading platform that I believed created an opportunity for others to manipulate it. In response, I devised a solution for the problem and directed a Veritaseum colleague to bring it to the attention of EtherDelta’s founder, who said that he implemented it. (Ex. 17)

#### **Sales of VERI Following the Initial Token Sale**

46. Around the time of the initial VERI offering, I received questions regarding how Veritaseum would handle the tokens that were not sold during this initial sale. I responded that, after the initial sale, the unsold tokens would be held in reserve for bulk purchases by institutions and high net worth individuals. (Ex. 18) I used the term “institutional purchases” as it is

understood in the software industry, *i.e.*, bulk purchases rather than retail purchases.

47. After the initial token sale, I received inquiries from individuals who missed the sale but still wished to acquire tokens. I consistently informed these individuals that at that point Veritaseum would sell tokens only in bulk. (Ex. 19)

48. I declined to sell post-initial sale tokens to some prospective purchasers. I instructed a Veritaseum worker to tell one prospective purchaser, “I am afraid I cannot accept your payment because you are trying to invest (this is a software purchase not an investment, please read the terms and conditions as well as the product purchase agreement below) . . . .” (Ex. 20) The same employee rejected another prospective purchaser that did not meet our minimum for a bulk purchase (which varied over time), telling him, “Sorry we cannot accept purchases under 20,000 USD.” (Ex. 21)

### **The Development of the VeADIR Software Platform**

49. In the months following Veritaseum’s initial token sales, the company worked intensively to develop the VeADIR platform. This version could use none of the original code from the BTC-based platform and therefore required a new code base. As a result, I hired a new set of developers.

50. Veritaseum met the production schedule I had forecast at the time of the initial token sale. By the first quarter of 2018, VeADIR was operational and in beta testing by outside users.

51. On March 20, 2018, I gave a detailed demonstration of the system to a large number of SEC staff members, who attended in person in New York and by telephone from Washington. I explained how VERI token holders could use the platform to purchase financial exposure to a portfolio of digital assets, borrow tokens, and benefit from research fed into the system by Veritaseum. (Ex. 22)

52. At the conclusion of the presentation, the SEC staff did not question the functionality or utility of the system. Rather, they demanded that I stop making the system available to beta testers, because in the SEC's view the testers' use of even nominal amounts of VERI tokens required Veritaseum to register as a regulated securities firm. I did not agree with the SEC's position because I understood that VERI tokens are not securities. However, in deference to the ongoing SEC investigation, I terminated beta testing.

53. Later in 2018, the Veritaseum team began developing yet another innovative blockchain-based functionality for our software platform. The system offered for sale digital tokens (such as VeGold) that represent a blockchain-based ownership interest in a specified amount of a precious metal. Veritaseum bought the metals in bulk, stored them in a vault, and sold "tokenized" interests in them. VERI token holders received a discount, adding to the utility and value of their tokens. At the kilogram level, VERI token holders are able to purchase pure gold at spot prices. To the best of my knowledge, this is a first in the industry for retail buyers of gold. Owners of VeGold have a contractual right to redeem them back to the company in exchange for the physical delivery of their gold, or a conditional option to sell the tokens back to the company for ETH or USD.

54. Until the SEC froze Veritaseum's assets, the VeADIR system sold over 260,000 ounces of precious metals. Including all precious metal token sales, repurchases, redemptions, and transfers, Veritaseum handled hundreds of transactions involving over \$3.5 million worth of VeGold and other precious metal tokens while still in the beta testing phase. This platform includes Know-Your-Customer and Anti-Money-Laundering systems, home-grown by Veritaseum and developed specifically for use on the public blockchain from the ground up by myself, Veritaseum's financial crimes and compliance specialist, and the company's engineering

and development teams.

55. Veritaseum also created the world's first gold-denominated, blockchain-based mortgage loan.

### **Veritaseum Business Transactions**

56. I entered into discussions with multiple individuals and institutions regarding how Veritaseum's technology could be leveraged to benefit their businesses.

57. For example, in June 2017, I was introduced to Paul Reece, the President and CEO of Fly Jamaica, a new airline based in Kingston, Jamaica. (Ex. 23) At that time, Fly Jamaica and I explored the idea of using digital tokens for airline miles and loyalty points and to obtain financing from hedge funds or other sources.

58. Veritaseum explored similar deals with the Ganga Growers Association of Jamaica, a marijuana startup looking to sell to the medical use field, Lito Green Motion Inc., an emerging electric motorcycle company in Quebec (Ex. 24), and orally agreed with a member of the government of Jamaica to use VERI to facilitate transactions in distressed Jamaican real estate.

59. Veritaseum also worked on a transaction intended to use Veritaseum technology to raise funds for a family medicine clinic and transition it to new owners. The owner initially encouraged Veritaseum to develop a detailed transaction plan (Ex. 25), but ultimately I withdrew from the transaction when I sensed that the owner was not comfortable selling the clinic.

60. I also approached the Jamaica Stock Exchange (JSE) with the idea to sell Veritaseum's technology, including the utility tokens to the JSE. After several meetings, the Chairman of the JSE's Board of Directors entered into a Memorandum of Understanding with Veritaseum, under which Veritaseum would "sell, lease, rent, or lend its Veritas tokens" to the exchange "for the purposes of consulting on, advising on and building a digital asset exchange."



(Ex. 26)

61. The JSE's Chairman and its Managing Director agreed to be photographed shaking hands with me on a ground-breaking transaction. (Ex. 27). I made public statements about this success in securing a major business partner for Veritaseum. (Ex. 28)

62. Around November 2017, however, JSE stopped responding to my efforts to move the transaction forward, despite having made significant progress on a binding joint venture agreement. (Exs. 29, 30) In this litigation, I have learned that SEC representatives had contacted the JSE as part of the SEC's investigation of Veritaseum and me. I was unaware of that contact at the time.

#### **The SEC's Investigation and Baseless Asset Freeze Application**

63. Within months after Veritaseum's initial sale of the VERI utility tokens, the SEC staff launched an investigation of my company and me. Through counsel, we produced to the SEC voluminous documents and information in response to subpoenas and voluntarily provided additional information in response to a large number of informal requests by the SEC staff. I gave sworn testimony in five different full-day sessions.

64. Although the token sales at issue occurred mainly during a four-week period, the investigation continued for two years, requiring Veritaseum to incur legal defense costs, including legal fees and vendor expenses, totaling nearly \$1.3 million.

65. These expenses have put a severe strain on Veritaseum's finances and human resources, as it is a start-up, not a highly capitalized Fortune 500 company.

66. On Tuesday, July 30, 2019, the SEC staff sent my counsel a Wells notice, which stated that the SEC staff had made a preliminary determination to recommend that the agency file an enforcement action against me and Veritaseum.

67. Three days later, on Friday, August 2, 2019, I learned that the SEC staff had requested that Veritaseum and I enter a written agreement not to move or convert any Ethereum (ETH), a cryptocurrency we use to fund our operations, without notifying the SEC. I was informed that the SEC staff was concerned about dissipation of assets because they had observed a transfer of around 10,000 units of ETH (worth approximately \$2 million) from a Veritaseum address, a small portion of which was then converted to U.S. dollars on a digital exchange.

68. This transfer was not a dissipation of assets; rather, it was merely the normal periodic funding of Veritaseum's ongoing business operations and was consistent with two previous transfers for the same purpose over the prior year. I had transferred from the same address approximately the same amount (9,880 ETH) on February 15, 2019, and exactly the same amount (10,000 ETH) on June 2, 2018.

69. For security reasons, my practice was to make only occasional transfers from that "cold" wallet (which held a large quantity of ETH and could be analogized to a savings account) to "hot" digital wallets and other accounts used for day-to-day business expenses (which could be analogized to checking accounts).

70. All of these transfers were fully visible in detail on the blockchain to the SEC and anyone else with the Veritaseum wallet address and an internet connection.

71. I reasonably expected my company's legal expenses, which were already quite burdensome, to increase significantly as a result of the Wells notice.

72. In an effort to allay any concern about potential dissipation of assets, I directed my counsel to inform the SEC staff that I would be willing to notify the SEC of digital asset transfers exceeding the equivalent of \$600,000 in a calendar month, based on my estimate of Veritaseum's monthly operational expenses, including substantially increased legal fees.

73. On Monday, August 12, 2019, the SEC filed this civil enforcement action against my company and me, and made an “emergency” request for a temporary freeze of my personal assets and Veritaseum’s assets.

74. The SEC’s motion stated that I had moved a portion of the transferred assets to a personal account, essentially accusing me of misappropriating company property. This accusation was false.

75. In fact, the transfers cited by the SEC were made to a Veritaseum LLC account. I have attached multiple screenshots showing that the account is in the name of Veritaseum LLC, including a screenshot showing the funds in question arriving in the company’s account. (Ex. 31.)

#### **The Devastating Effect of the Temporary Asset Freeze on Veritaseum Token Holders**

76. The temporary asset freeze entered by the Court caused immediate damage to Veritaseum and its token holders. In addition to freezing Veritaseum’s own assets, the SEC insisted that the company halt all redemptions by holders of VeGold tokens. This action requires Veritaseum to breach its agreement with its token holders, and effectively deprives VeGold token holders of their own property. Many Veritaseum contractors have thus been stripped of compensation they previously earned and received from Veritaseum in the form of VeGold.

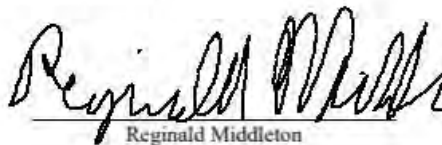
77. The asset freeze also deprives VERI utility token holders of a significant use of their tokens, since they can no longer obtain discounts on blockchain-based precious metal purchases from Veritaseum.

78. Continuing the freeze would destroy the entire company. We would not be able to make payroll beginning on September 1, 2019. Approximately 25 employees and contractors would be out of work. These individuals perform key tasks, including compliance, financial

analysis and research, engineering, software development, legal counseling, database administration, clerical operations, product development, customer relations, and business development. Without them, all Veritaseum operations would grind to a halt and the utility and value of the VERI tokens would disappear.

I declare under penalty of perjury that the foregoing is true and correct.

Dated: August 19, 2019

  
Reginald Middleton

# **Exhibit 1**

# Lennar, Voodoo & the Year of the Living Dead!

For those that wondered what my stance on Lennar is after raising cash through property sales and tax refunds, here is my update to the Voodoo analysis.

## Summary


The worst housing slump in recent history has taken its toll on US home builders, with most of them reporting consecutive quarterly losses in the second half of 2007. Lennar, in particular, reported negative earnings for the fifth consecutive quarter in 4Q2007, witnessing a negative EPS of \$6.08 compared with a negative \$1.23 in 4Q2006. Its large inventory write-down of approximately \$2.4 bn in 2007 along with losses on land sale deal with Morgan Stanley Real Estate significantly impacted its operating performance in 2007. As the US housing woes deepen amid deteriorating US and global economic fundamentals and the economy edges definitively closer to the hard landing that we I have been anticipating I believe that declining consumer confidence and buying power will continue to impact housing demand. This should further depress Lennar's new home prices in 2008 and 2009 and significantly impact its operating and net profit margins..

## Key Points

- **Disappointing 4Q2007 results** - Lennar's revenues declined 49.0% to \$2.2 bn in 4Q2007 versus \$4.3 bn in 4Q2006. Revenues from the homebuilding segment declined 50.5% to \$1.9 bn in 4Q2007 from \$4.0 bn in 4Q2006, primarily off a 50.4% decline in home deliveries and a 2.1% decline in average sale price. Lennar's new home orders declined 50.4% to 4,761 units in 4Q2007 from 9,606 units in 4Q2006. As Lennar reduced its existing inventory through price incentives, its order backlog declined 65.5% y-o-y to 4,009 units at the end of 4Q2007 with an operating backlog of 64 days. In addition, Lennar also reported a \$1.8 bn charge relating to valuation adjustment write-off including \$0.17 bn for goodwill write-offs. Overall, Lennar witnessed its highest quarterly loss in 4Q2007, with diluted earnings of a negative \$6.08 per share compared to a negative of \$1.23 in 4Q2006.
- **Lennar inching closer to bankruptcy** - The current downturn in the US housing sector, which has resulted in large scale cut backs in new home construction and prices, has significantly impacted Lennar's financial position. Lennar witnessed a loss of \$1.9 bn in 2007, which had the impact of eroding its equity nearly 33% to \$3.8 bn at the end of 2007 from \$5.7 bn at the end of 2006. Lennar's Z-score has declined to 1.69 at the end of 4Q2007 from 2.32 at the end of 3Q2007, indicating that the homebuilder is approaching insolvency. Although the company's current cash and other liquid assets suggest reasonable liquidity position as of the end of December 2007, expected losses in 2008 and 2009 on account of fast declining home prices and subdued demand will significantly impact its financial position.
- **Large inventory impairment and write-down** - In 2007, Lennar recorded a huge \$2.4 bn charge on account of inventory impairment under FAS144 in 2007 compared with \$501.8 mn in 2006 owing to fast declining home prices in its key markets. With the US residential sector not expected to recover over the next couple of years, we believe Lennar would continue to write down its inventory until 2010. We expect Lennar to record \$221 mn and \$139 mn of inventory impairment in 2008 and 2009, respectively to accurately reflect the market value of its inventories in view of further decline in U.S residential housing prices.
- **Decline in order book** - In 4Q2007, Lennar had 4,761 new order units while it delivered 7,044 units, thus reducing its order backlog to 4,009 units from 6,367 at the end of 3Q2007. Lennar's order backlog declined from 18,565 units at the end of 2005 to 4,009 units at the end of 2007, primarily owing a to decline in new orders coupled with Lennar's attempt to lower its inventory levels through sale of existing inventory through price incentives to maintain liquidity in the 'cash squeezed' global credit market. As a result, Lennar's order backlog in operating days declined to 64 days at the end of 4Q2007. A reduction in order backlog in conditions of weakening demand would put pressure on the company's revenue growth in the near-to-medium term.
- **Dismantling joint-ventures agreements** - *As the housing market continues to deteriorate, Lennar is re-evaluating its joint venture arrangements and reducing the number of joint ventures, particularly those with recourse debt. At the end of 4Q2007, the number of joint venture agreement was 210 versus 270 at the end of 4Q2006. Additionally, Lennar had also reduced ownership interest in joint ventures to an average 34% in 4Q2007 from 39% in 4Q2006. As a result, Lennar reduced its total debt in joint ventures to \$5.1 bn at the end of 4Q2007 from \$5.5 billion at the end of 3Q2007 while also reducing its exposure to recourse debt in joint ventures to \$1 bn from \$1.8 bn at the end of the 4Q2006. To meet the conditions under the amended credit covenants, Lennar further plans to reduce its JV recourse debt by \$300 mn and \$200 mn in 2008 and 2009, respectively. However, Lennar's expected (high) debt-to-total capital ratio of 52.9% and 58.8% by the end of 2008 and 2009 (including JV's debt), respectively, could negatively impact its financial position in case the housing woes worsen in the coming months.*
- **Financial engineering by Lennar** - By concluding the deal with Morgan Stanley Real Estate towards the end of FY2007 involving the sale of 11,000 lots for \$1.3 bn at a 60% discount, Lennar could claim losses of \$775 mn from the transaction and obtain a tax refund of \$270 mn (part of overall refund of \$852 mn) against taxes paid in successful years of operation (2005 and 2006). Further, the possibility that the two year carry-back period under tax rules could get extended to five years would

- **Lennar's sizeable cash balances as at end of 4Q2007** - At the end of 4Q2007, Lennar had cash of \$795.2 million. Of-late Lennar has improved its overall cash position by generating cash through lowering of its inventory levels and sale of land. Besides, Lennar also sold \$1.3 billion worth of assets for \$525 mn to a joint venture established with Morgan Stanley Real Estate. In February 2008, Lennar's joint venture LandSource admitted MW Housing Partners as its strategic partner and obtained \$1.6 bn of non-recourse financing. The above transaction resulted in a cash distribution of \$707.6 mn to Lennar. Subsequent to 4Q2007, Lennar had also collected \$852 mn by recovering taxes paid in prior years through losses generated in 2007.
- **Lennar's large mortgage operations are now truly feeling the pain of the credit squeeze** - During 2007, Lennar originated approximately 30,900 mortgage loans of approximately \$7.7 bn. Substantially all the loans the Financial Services segment originates are sold in the secondary mortgage market on a servicing released, non-recourse basis. However, Lennar remains liable for certain limited representations and warranties related to loan sales. We believe that difficult conditions in the credit market will impact the spreads for Lennar. In 4Q2007, Lennar's margins in the financial segment deteriorated drastically from 26.2% in 4Q2006 to a negative 23.2% in 4Q2007. We expect Financial Services revenues to decline 50% and 6.1% in 2008 and 2009, respectively, and margin to be negatively impacted with a negative margin of 36.4% and 28.4% in 2008 and 2009.  
Although the end of 4Q2007 saw Lennar with sizeable cash balances, we believe that the company is still considerably leveraged with debt-to-equity of 74.2% at the end of 4Q2007. At the end of 4Q2007, Lennar had net debt of \$2.0 bn as a stand alone entity while as a consolidated entity including JV's recourse debt was \$2.5 bn. Moreover, we believe that the cash balance will be eroded by operating losses in the coming years, requiring the company to raise further debt amid conditions of deteriorating housing sector.

## Download the full update, complete with pro formas, Z-score and valuation:

 **Lennar Update 02-07-08 (3.69 MB)**  
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Friday, 15 February 2008 10:54 | posted by flow5 [Comment Link \(/blog/item/141-lennar-voodoo-a-the-year-of-the-living-dead#comment324\)](#)



We don't have capitalism, we have regulated capitalism.

We have an "elastic" currency "aided and abetted" by "elastic" legislators. We have perennial Walter Wriston caricatures pressuring the House Committee on Financial Services & the U.S. Senate Committee on Banking, Housing, and Urban Affairs. We have a conspiratorial organization that goes by the name of the American Bankers Association - with its well funded lobbyists.

The Board of Governors is self-described as: "subject to oversight by Congress, which periodically reviews its activities and can alter its responsibilities by statute" Even so, the Fed is "connected at the hip" with Congressional allies, a la Greenspan, who the New York Times called a "three-card maestro".

The Fed's research is politically coordinated, targeted to justify its monetary policy objectives - those that appease the banking community. It's as the university professor said: "innovate away from home". Academic freedom has become the "barbarous relic".

The great German poet and playwright Bertolt Brecht would have agreed and once said it was "easier to rob by setting up a bank than by holding up (one)."

The profit proclivities of the American banker are responsible for our speculative orgy.

[Report \(/blog/comments/report?commentID=324\)](#)



**Tuesday, 12 February 2008 16:30** | posted by **Reggie Middleton** | [Comment Link \(/blog/item/141-lennar-vooodoo-a-the-year-of-the-living-dead#comment323\)](#)

Cost of sales are not correlated with asset impairments. The impairments came from devaluation of assets held on the books. The primary driver in the cost of sales are sales incentives and the ratio of resources needed to generate the sales to actual revenue. If anything, the higher the impairment charge, the more the company would have to incentivize(?) to create a unit sale, thus generally a higher cost of sale per unit (ex. closing cost costs subsidy, free amenities, free cars, flat screens, furniture, commission rebates, etc.)

Am I missing something in your interpretation here?

[Report \(/blog/comments/report?commentID=323\)](#)



**Tuesday, 12 February 2008 16:04** | posted by **Nathan Lewis** | [Comment Link \(/blog/item/141-lennar-vooodoo-a-the-year-of-the-living-dead#comment322\)](#)

Hi Reggie,

I've been chewing through your Lennar and Ryland stuff, and I have a question about your cost of sales estimates. You have Lennar's unit cost of sales, excluding impairment, growing at 4.4% in 2008 and 3.0% in 2009. It's this COGS rise, combined with the falling selling prices (-4.1% in 2008 and -4.7% in 2009) that produces the margin deterioration and negative cashflow for the company going forward. However, I would assume that the big writedowns in inventory must also cut cost of sales going forward, no? If so, their margins would be considerably better from here on out I would imagine. Let me know what I'm missing here.

[Report \(/blog/comments/report?commentID=322\)](#)



**Monday, 11 February 2008 12:44** | posted by **Reggie Middleton** | [Comment Link \(/blog/item/141-lennar-vooodoo-a-the-year-of-the-living-dead#comment321\)](#)

I've fixed the download. Floridabuilder and I were always slightly distanced on our view of the economy. As you know, I'm a bit more bearish. I see the housing slump lasting into 2010 - alas, I can be wrong.

[Report \(/blog/comments/report?commentID=321\)](#)



**Monday, 11 February 2008 12:21** | posted by **Arun Raja** | [Comment Link \(/blog/item/141-lennar-vooodoo-a-the-year-of-the-living-dead#comment320\)](#)

I can't seem to download the Lennar update. Says it hasn't been published yet.

FL builder seems to assume this will be a mild recession with recovery by 4Q08 and therefore stocks should go up 2Q08. Given that housing tends to lead recovery by around 3 months lead time, it does seem a premature call to me.

<http://calculatedrisk.blogspot.com/2008/02/housing-as-engine-of-recovery.html>  
(<http://calculatedrisk.blogspot.com/2008/02/housing-as-engine-of-recovery.html>)

[Report \(/blog/comments/report?commentID=320\)](#)



**Monday, 11 February 2008 06:09** | posted by **Reggie Middleton** [Comment Link \(/blog/item/141-lennar-vooodoo-a-the-year-of-the-living-dead#comment319\)](#)

I am quite familiar with Florida homebuilder. He is actually the guest blogger on this site for the CFO series. I haven't read his stuff lately though. In general I agree with him on most points. The only point where we really diverge is whether we are going into a recession and how long. I am quite bearish in this regard, and he (at least as of the last time I read his writings) is not quite as bearish.

I will get over to read his recent stuff soon.

[Report \(/blog/comments/report?commentID=319\)](#)



**Sunday, 10 February 2008 19:13** | posted by **Jon Pearlstone** [Comment Link \(/blog/item/141-lennar-vooodoo-a-the-year-of-the-living-dead#comment318\)](#)

Reggie

Here is an "insider" into the HB industry -- he makes very compelling arguments and has been quite accurate with the ups and downs of the HB's

Take a look and let me know what you think -- See his entries and the comments for his blog from this weekend (altho-ugh all his entries are very interesting)-I asked him for more specifics on how he sees the market rebounding and he replied with a quite detailed numerical analysis -- would love to hear your feedback.

<http://caps.fool.com/Blogs/ViewBlog.aspx?t=01000603789045326844> (<http://caps.fool.com/Blogs/ViewBlog.aspx?t=01000603789045326844>)

[Report \(/blog/comments/report?commentID=318\)](#)



**Sunday, 10 February 2008 10:55** | posted by **Reggie Middleton** [Comment Link \(/blog/item/141-lennar-vooodoo-a-the-year-of-the-living-dead#comment317\)](#)

This is a circular argument. In process inventory and raw land are valued based upon the value of completed homes. If the finished product drops in value, then everything else drops as well, and it is not linear. Raw land drops more than in process inventory, which drops more than finished housing (significant difference in liquidity).

[Report \(/blog/comments/report?commentID=317\)](#)



**Saturday, 09 February 2008 22:36** | posted by **Robert Cote** [Comment Link \(/blog/item/141-lennar-vooodoo-a-the-year-of-the-living-dead#comment316\)](#)

([/exurbannation.blogspot.com](http://exurbannation.blogspot.com))

[i]2006 owing to fast declining home prices in its key markets.[/i]

Wasn't it both housing inventory (in-process and completed) and raw land values that caused the markdown?

[Report \(/blog/comments/report?commentID=316\)](#)

Login to post comments



# **Exhibit 2**

Seeking Alpha<sup>α</sup>

## Digging Deeper Into Lehman

May 26, 2008 12:40 PM ET2 comments

by: Reggie Middleton

I never got a chance to perform a full forensic analysis of Lehman (LEH), but did put a fair size short on them a few months back due to their "smoke and mirrors" PR (oops), I mean financial reporting. There were just too many inconsistencies, and too much exposure. I was familiar with the game that some Ibanks play, for I did get a chance to do a deep dive on Morgan Stanley, and did not like what I found. As usual, I am significantly short those companies that I issue negative reports on, MS and LEH included. I urge all who have an economic interest in these companies to read through the PDF's below and my MS updated report linked later on in this post. In January, it was worth reviewing "Is this the Breaking of the Bear?", for just two months later we all know what happened.

I came across this speech by David Eihorn and he has clearly delineated not only all of the financial shenanigans that I mentioned in my blog, but a few more as well. Very well articulated and researched.

Here are a few choice excerpts:

The issue of the proper use of fair value accounting isn't about strict versus permissive accounting. The issue is that some entities have made investments that they believed would generate smooth returns. Some of these entities, like Allied, promised investors smoother earnings than the investments could deliver. The cycle has exposed the investments to be more volatile and in many cases less valuable than they thought. The decline in current market values has forced these institutions to make a tough decision. Do they follow the rules, take the write-downs and suffer the consequences whatever they may be? Or worse, do they take the view that they can't really value the investments in order to avoid writing them down? Or, even worse, do they claim to follow the accounting rules, but simply lie about the values?

The turn of the cycle has created some tough choices. Warren Buffett has said, "You don't know who is swimming naked until the tide goes out." I do not believe the accounting is the problem. The creation of FAS 157 and other fair value measures has improved disclosure, including the disclosure of Level 3 assets – those valued based upon non-observable – and in many cases subjective – inputs. This has helped investors better understand the financial positions of many companies. For entities that are not over-levered and have not promised smoother results than they can deliver, when the assets have fallen in market value, they can take the pain and mark them down. It doesn't force them to sell in a "fire-sale." If the market proves to have been wrong, the loss can be reversed when market values improve. For levered players, the effect of reducing values to actual market levels is that the pain is more extreme and the incentive to fudge is greater. With this in mind, I'd like to review Lehman Brothers' last quarter. Presently, Greenlight is short Lehman. Lehman was due to report its quarter two days after JPMorgan (NYSE:JPM) and the Fed bailed out Bear Stearns (NYSE:BSC). At the time, there were a lot of concerns about Lehman, as demonstrated by its almost 20% stock price decline the previous day with more than 40% of its shares changing hands. In the quarter, bond risk spreads had widened considerably and equity values had fallen sharply. Lehman held a large and very levered portfolio.

With that as the background, Lehman announced a \$489 million profit in the quarter. On the conference call that day, Lehman CFO Erin Callan used the word "great" 14 times, "challenging" 6 times; "strong" 24 times, and "tough" once. She used the word "incredibly" 8 times. I would use "incredible" in a different way to describe the report. The Wall Street Journal reported that she received high fives on the Lehman trading floor when she finished her presentation.

Twenty-two days after the conference call, Lehman filed its 10-Q for the quarter. In the intervening time, I had made a speech at the Grant's Spring Investment Conference where I observed that Lehman did not seem to have large exposure to CDOs. This was true inasmuch as Lehman had not disclosed significant CDO exposure.

Let's look at the Lehman earnings press release (Table 1). Focus on the line "other asset backed-securities." You can see from the table that Lehman took a \$200 million gross write-down and has \$6.5 billion of exposure...

Now let's look at the footnote 1 of the table, explaining *other asset-backed securities*

The Company purchases interests in and enters into derivatives with collateralized debt obligation securitization entities ('CDOs'). The CDOs to which the Company has exposure are primarily structured and underwritten by third parties. The collateralized asset or lending obligations held by the CDOs are generally related to franchise lending, small business finance lending, or consumer lending. Approximately 25% of the positions held at February 29, 2008 and November 30, 2007 were rated BB+ or lower (or equivalent ratings) by recognized credit rating agencies...

Last week, Lehman's CFO and corporate controller confirmed that the whole \$6.5 billion consisted of CDOs or synthetic CDOs. Ms. Callan also confirmed that the 10-Q presentation was the first time that Lehman had disclosed the existence of this CDO exposure. This is after Wall Street spent the last half year asking, "Who has CDOs?" Incidentally, I haven't seen any Wall Street analysts or the media discuss this new disclosure.

I asked them how they could justify only a \$200 million write-down on any \$6.5 billion pool of CDOs that included \$1.6 billion of below investment grade pieces. Even though there are no residential mortgages in these CDOs, market prices of comparable structured products fell much further in the quarter. Ms. Callan said she understood my point and would have to get back to me. In a follow-up e-mail, Ms. Callan declined to provide an explanation for the modest write-down and instead stated that based on current price action, Lehman "would expect to recognize further losses" in the second quarter. Why wasn't there a bigger mark in the first quarter?

Now, I'd like to put up Lehman's table of Level 3 assets (Table 3). I want you to look at the column to the far right while I read to you what Ms. Callan said about this during the Q&A on the earnings conference call on March 17.

[A]t the end of the year, we were about 38.8 [billion] in total Level 3 assets. In terms of what happened in Level 3 asset changes this quarter, we had net sort of payments, purchases, or sales of 1.8 billion. We had net transfers in of billion. So stuff that was really moved in or re-characterized from Level 2. And then there was about 875 million of write-downs. So that gives you a balance of 38,682 as of February 29.

As you can see, the table in the 10-Q does not match the conference call. There is no reasonable explanation as to how the numbers could move like this between the conference call and the 10-Q. The values should be the same. If there was an accounting error, I don't see how Lehman avoided filing an 8-K announcing the mistake. Notably, the 10-Q changes somehow did not affect the income statement, as there must have been other offsetting adjustments somewhere in the financials...

...When I asked them about this, Lehman said that between the conference call and the 10-Q they did a detailed analysis and found, "the facts were a little different."

I want to concentrate on the \$228 million of realized and unrealized gains Lehman recognized in the quarter on its Level 3 assets. There is a \$1.1 billion discrepancy between what Ms. Callan said on the conference call - an \$875 million loss - and the table in the 10-Q, which shows a \$228 million gain.

I asked Lehman, "My point blank question is: Did you write-up the Level 3 assets by over a billion dollars sometime between the press release and the filing of the 10-Q?" They responded, "No, absolutely not!"

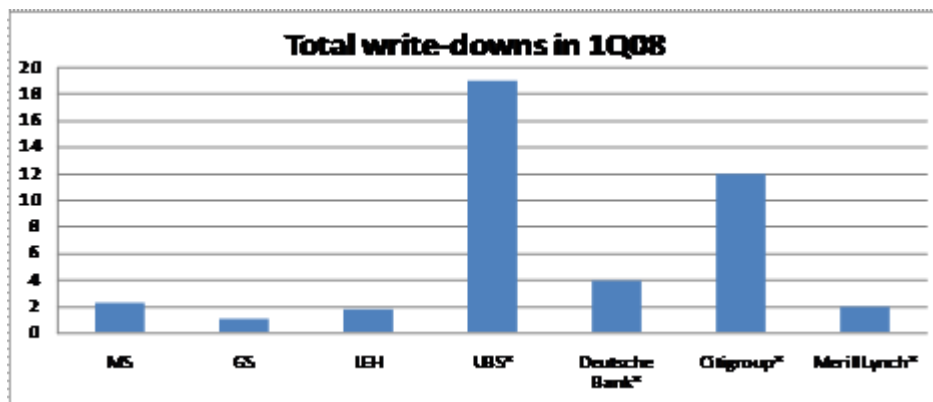
However, they could not provide another plausible explanation. Instead, they said they would review the piece of paper Ms. Callan used on the call and compare it to the 10-Q and get back to me. In a follow-up e-mail, Lehman offers that the movement between the conference call and the 10-Q is "typical" and the change reflects "re-categorization of certain assets between Level 2 and Level 3." I don't understand how such transfers could have created over a \$1.1 billion swing in gains and losses...



I would like to add that Morgan Stanley is guilty of much of what Lehman is being accused of, and with much more net counter-party exposure and leverage to boot. See The Riskiest Bank on the Street and particularly Reggie Middleton on the Street's Riskiest Bank - Update. I would like to excerpt page 4 of that report here to see how similar the marketing (er, sorry about that again), I mean "financial reporting" of these two companies are:

**Worsening credit market to impact Morgan Stanley's financial position**

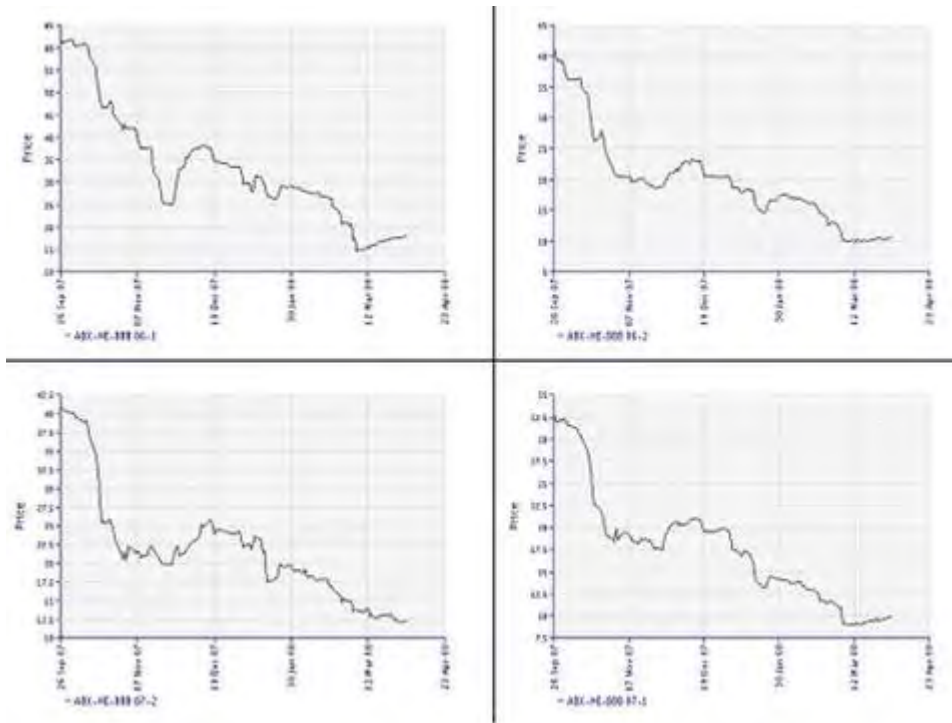
The current gridlock in the credit market has drastically pulled down the mark-to-market valuation of mortgage-backed structured finance products, resulting in significant asset write-downs of banks and financial institutions. It is estimated that further write-downs by investment banks could touch \$75 bn in 2008 after an estimated \$230 bn already written off since the start of 2007. With the situation not expected to improve in the near-to-medium term, investment banks are likely to face a sizable erosion of their equity from large write-downs in the coming periods. Though the recent mark-down revelations by UBS and Deutsche Bank have injected some positive sentiment in the global capital markets with the hope that the credit crisis has reached an inflection point, it is overly optimistic to believe that the beginning of the end of the current turmoil is at hand before the causes of the turmoil, tumbling real asset prices and spiking credit defaults, cease to act as catalysts.



\* expected

Morgan Stanley (NYSE:MS) wrote off a significant \$9.4 bn of its assets in 4Q2007. However, the write down in 1Q2008 was much lower with \$1.2 bn mortgage related write-down and \$1.1 bn leveraged loan write-down, partly offset by \$0.80 bn gains from credit widening under FAS159 adjustments. One of the factors which the bank considers while estimating asset write-downs is the movement in the ABX index which tracks different tranches of CDS based on subprime backed securities. Nearly all tranches of ABX index

have witnessed a significant decline over the last six months. While Morgan Stanley's 4Q2007 write-down of \$9.4 bn appeared in line with a considerable fall in the ABX index during the quarter, a similar nexus is not evident for 1Q2008. Morgan Stanley recorded a gross write-down of \$2.3 bn in 1Q2008 though the decline in ABX indices seemed relatively severe (however not as steep as in the preceding quarter). The disparity raises a concern that Morgan Stanley might report more losses in the coming periods.



ABX BBB indices (September 26, 2007, to April 2, 2008)

Source: *Markitcounter-parties.com*

Although the ABX indices showed a slight recovery in March 2008, this is expected to be a temporary turnaround before the indices resume their downward movement owing to expected continuing deterioration in the US housing sector and mortgage markets. The following is a detailed, yet not exhaustive, example of Morgan Stanley's "hedged" ABS portfolio - Morgan Stanley ABS Inventory is a parenthetical because we believe that large scale investment bank hedges are far from perfect. We discuss this later on in the report.

These research reports were initially done in January and April, and I never got the chance to publicly release my thoughts on this hedging billions of dollars of specific risks with broad mathematical indices, marginal (at best) counter-parties, and potentially litigious swap agreements, and such. Unfortunately, it looks like other investors/analysts may have beat me to the punch. Just remember, you heard it here first!

The US housing markets are yet to stabilize and housing prices are still way above their long-term historical median levels, leaving scope for a further downside in prices. Between October 2007 and January 2008, the S&P Case Shiller index declined nearly 6.5% (with 2.3% decline in January 2008 alone). We would like to make it clear that although the CS index is an econometric marvel, it does not remotely capture the entire universe of depreciating housing assets. It purposely excludes those sectors of the housing market that are hardest hit by declines, namely: new construction (ex. home builder finished inventory), condos and co-ops, investor properties and “flips”, multi-family properties, and portable homes (ex. trailers). Investor properties and condos lead the way in defaults due to excess speculation while new construction faces the largest discounts, second only to possibly repossessed homes such as REOs. A decline in this expanded definition of housing stock’s pricing could result in increased defaults and delinquencies, significantly beyond that which is represented by the Case Shiller index, which itself portends dire consequences.

As credit spreads continue to widen over the next few quarters, the assets would need to be devalued in line with risk re-pricing. Morgan Stanley and the financial sector in general, are expected to continue with their balance sheet cleansing exercise, recording further asset write-downs till stability is restored in the financial markets.

While it is believed the expected continuing fall in the security market values would indicate more write-downs in the coming quarters, a part of this could be set-off under FAS159 by implied gains from write-down of financial liabilities off an expected widening of credit spreads. Morgan Stanley is expected to record assets write-down losses of \$16.5 bn and \$7.6 bn in 2008 and 2009, respectively, considering the bank’s increasing proportion of level 3 assets amid falling security values. This would be partially off-set by FAS159 gains of \$930.8 mn and \$116.1 mn in the two years off revaluation of its financial liabilities. It is important to note the fact that FAS 159 gains are primarily accounting gains, and not economic gains and they do not truly reflect the economic condition of Morgan Stanley. Of the \$18.3 bn of total liabilities for which the bank makes adjustments relating to FAS159, \$14.2 bn and \$3.1 bn of liabilities relate to long-term borrowings and deposits.

Since most of these securities are traded in the secondary market, it would be difficult for Morgan Stanley to translate these accounting gains into economic gains by purchasing them at a discount to par during a widening credit spreads scenario.

To explain in simpler terms, marketable securities can be purchased at a discount to par if credit spreads increase as MS debt is devalued. Thus, theoretically, MS can retire this debt for less than par by purchasing this debt outright in the market, and FAS 159 allows

MS to take this spread between market values and par as an accounting profit, presumably to match and offset the logic in forcing companies to market assets to market via FAS 157.

In reality, only marketable securities can yield such results in an economic fashion, though companies that would be stressed enough to experience such spreads probably would not be in the condition to retire debt. In Morgan Stanley's case, these spreads represent non-marketable debt such as bank loans, negotiated borrowings and deposits. These cannot be purchased at less than par by the borrower, thus any accounting gain had through FAS 159 will lead to phantom economic gains that don't exist in reality. For instance, a \$1 billion bank loan will always be a loan for the same principle amount, regardless of MS's credit spreads, unless the bank itself decides to forgive principal, which is highly unlikely.

It should be noted that Lehman Brothers actually experienced an economic loss for the latest quarter of about \$100 million, but benefitted by the accounting gain stemming from FAS 159, that led to an accounting profit of approximately \$500 million. This profit, which sparked a broker rally, was purely accounting fiction. Similarly, Morgan Stanley (in economic profit, ex. "real" terms) overstated its Q1 '08 profit by approximately 50%. This overstatement apparently induced a similarly rally for the brokers.

Quite frankly, we feel the industry as a whole is in a precarious predicament due to dwindling value drivers, a cyclical industry downturn, a credit crisis and a deluge of overvalued, unmarketable and quickly depreciating assets stuck on their balance sheets. Their true economic performance is revealing such, but is masked by clever, yet allowable accounting shenanigans.

<b>Morgan Stanley Write-down -2008</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<i>(In US\$ mn)</i>				
<b>Financial instruments owned</b>				
U.S. government and agency securities	-	12	2	14
Other sovereign government obligations	-	9	0	9
Corporate and other debt	2	2,761	2,223	4,986

Corporate equities	413	71	62	546
Derivative contracts	226	7,252	3,240	10,719
Investments	1	1	196	198
Physical commodities	-	12	-	12
<b>Total financial instruments owned</b>	<b>642</b>	<b>10,120</b>	<b>5,723</b>	<b>16,485</b>

## Comments (2)

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adan

incredibly important reporting, thanks!

27 May 2008, 03:45 PM

# **Exhibit 3**

# GGP and the type of investigative analysis you will not get from your brokerage house



Written by [Reggie Middleton](#)

Saturday, 14 June 2008

This missive is more than probably any outside investor in GGP knows about GGP, plus some. The accuracy of the contents below is not guaranteed nor warranted in any form or fashion. I try my best to be accurate and exact, but things do happen - thus all contents in this post is based upon information and belief. Thus, I invite all to roll your sleeves up, and dig in to do some research for yourselves. This is the type of research that I expect to come from my local brokerage houses. It doesn't happen, thus I must do it myself. Please be aware that I have a bearish position in GGP stock. Read this complete missive, and it will be easy to understand why.

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## Table of Contents

- Short summary of the 3 elements of this report
- Background Information on the founding Bucksbaum Family
- Background Description of General Growth Properties' Business
- Item 1- Clear evidence that GGP is heading into a refinancing-induced liquidity crunch
- Item 2- One-time items are holding up deteriorating core operational performance
- Item 3- Evidence that GGP is potentially misrepresenting itself

## Must read content tie-ins

- GGP analyses
  - [Will the commercial real estate market fall? Of course it will.](#)
  - [Do you remember when I said Commercial Real Estate was sure to fall?](#)
  - [The Commercial Real Estate Crash Cometh, and I know who is leading the way!](#)
  - [Generally Negative Growth in General Growth Properties - GGP Part II](#)
  - [General Growth Properties & the Commercial Real Estate Crash, pt III - The Story Gets Worse](#)
  - [More on GGP: A Granular View of Insider Selling and Lease Rate Growth](#)
  - [GGP part 5 - The Comprehensive Analysis is finally here](#)
  - [My Response to the GGP Press Release, which seems to respond to blogs...](#)
  - [For those who were wondering what sparked that silly press release from GGP...](#)
  - [GGP: Foreclosure vs Asset Sale](#)
  - [GGP Refinancing Sensitivity Analysis](#)
  - [GGP part 7 - Share value under the foreclosure analysis](#)
  - [GGP part 8 - The Final Analysis: fire sale of prime properties](#)
  - [Analysis of GGP's recent Q1 results](#)
  - [GGP Conference Call](#)
  - [Reader's legal observation on GGP](#)
  - [GGP Can't Afford its Dividend](#)
  - [Press release announcing new equity financing](#) - something that I didn't explicitly model in my own analysis, but after reviewing information without the benefit of official documentation, there were no surprise nonetheless...
  - [We did find some surprises, and my blog readers chimed in with their expertise and opinions...](#)

The Asset Securitization Crisis: Selected reading. This is not a must read, but does go a long way in explaining why GGP will be more than hard pressed to obtain bank financing.

- Intro: The great housing bull run - creation of asset bubble, Declining lending standards, lax underwriting activities increased the bubble - A comparison with the same during the S&L crisis
- Securitization - dissimilarity between the S&L and the Subprime Mortgage crises, The bursting of housing bubble - declining home prices and rising foreclosure
- The consumer finance sector risk is woefully unrecognized, and the US Federal reserve to the rescue
- An overview of my personal Regional Bank short prospects Part I: PNC Bank - risky loans skating on razor thin capital, PNC addendum Posts [One](#) and [Two](#)
- Reggie Middleton says don't believe Paulson: S&L crisis 2.0, bank failure redux
- More on the banking backdrop, we've never had so many loans!
- As I see it, these 32 banks and thrifts are in deep doo-doo!
- Capital, Leverage and Loss in the Banking System
- Doo-Doo bank drill down, part 1 - Wells Fargo
- Doo-Doo Bank 32 drill down: Part 2 - Popular
- Doo-Doo Bank 32 drill down: Part 3 - SunTrust Bank
- The Anatomy of a Sick Bank!

### *Short summary of the 3 elements of this report*

There is very clear evidence that GGP is heading into a refinancing-induced liquidity crunch.

One-time items are holding up deteriorating core operational performance.

There is evidence that GGP is misrepresenting itself and breaking securities laws.

Many themes currently broadcast in the news directly apply to GGP – its situation is one of high leverage in the face of a weakening consumer and an evaporating debt market. It's a family-run business that tripled its size through a major acquisition when the debt markets were healthy, and is now left scrambling. There appears to be dissension between the founding father and his now-CEO son over some of the tactics that they have resorted to recently, which appear to be questionable. If the core operations continue to deteriorate in the continued absence of a functional debt market, the 2<sup>nd</sup> largest mall REIT in the US will simply run out of cash and no amount of accounting or financial gimmickry will be able to hide that fact.

### *Background Information on the founding Bucksbaum Family*

The Bucksbaum family founded and has run General Growth, in various legal forms, since 1964. Martin and Matthew Bucksbaum were the original founders, forming the General Growth Properties REIT in 1964. In 1972, General Growth was listed on the NYSE. In 1984, General Growth sold its 19 malls to another company and liquidated the REIT, but continued to manage subsequently. A large acquisition in 1989 made General Growth the second largest mall manager in the US, and in 1993, General Growth did an IPO to form GGP, the legal entity we see today. In 1999, Matthew Bucksbaum stepped down as CEO and John Bucksbaum ('JB'), Matthew's son, replaced him. In November 2004 (mid-point of the real estate and credit bubble), GGP completed the \$14 billion Rouse acquisition, which established GGP as the 2<sup>nd</sup> largest mall REIT. In August 2007, MB stepped down as Chairman of GGP, and was replaced by JB.

### *Background Description of General Growth Properties' Business*

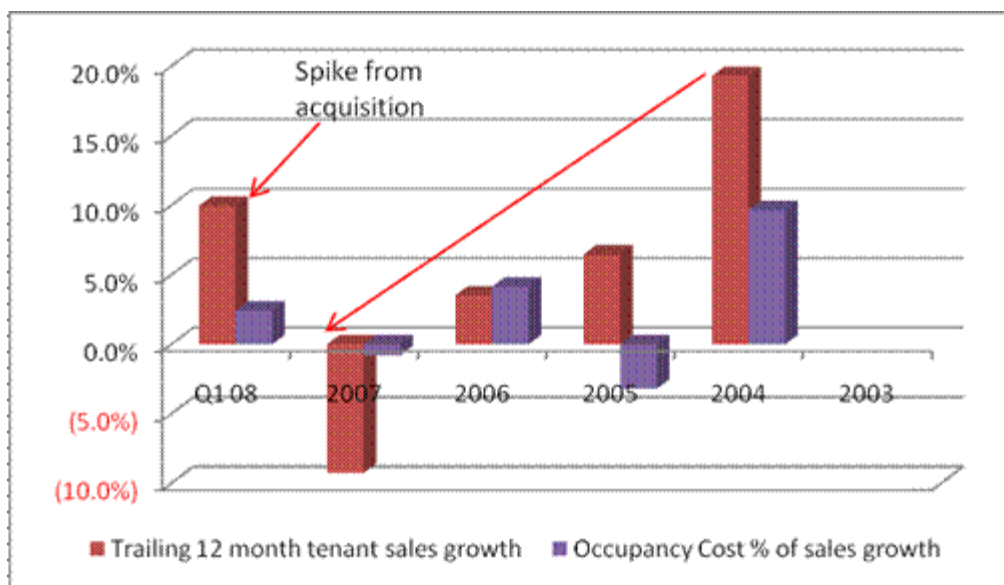
General Growth Properties is the 2<sup>nd</sup> largest mall REIT in the US. It buys malls, financing the purchases with equity and a combination of secured and unsecured debt. On May 14<sup>th</sup> 2008, GGP had \$27B of net debt after adjusting for pro rata joint venture debt and \$11.3B of equity, implying a total debt to capitalization of 70.6%. Along most metrics, GGP is the most highly levered publicly traded mall REIT. Malls are typically put in 3 categories – Tier 1, Tier 2 and Tier 3 – based on the average sales per square footage of the mall. As of early 2006, GGP controlled approximately 18.3% of the regional mall market, with 5% of the Tier 1 market, 6.8% of the Tier 2 market, and 6.5% in sub-Tier 2 properties.

Unlike most of the major mall REITs, 70% of GGP's debt is in the form of traditional secured mortgage debt. Most of the secured debt comes from commercial banks, who extend commercial loans and then feed those loans through into the CMBS market. Life insurance companies also have been known to participate in mortgage financing, but have traditionally been a small player due to the high amount of administration required, cumbersome capital allocation process, and small financing capacity. GGP's average interest rate is currently 5.46%, even though its senior debt ratings from Moody's and S&P are BB- and Ba2 – below investment grade.



GGP leases out space to retailers, who primarily pay GGP in the form of base minimum rent. The historical relationship between tenant sales and occupancy costs charged by GGP is shown below.

	<u>Q1 08</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Trailing 12 month tenant sales	442.0	402.0	443.0	428.0	402.0	337.0
Occupancy Cost % of sales	12.8%	12.5%	12.6%	12.1%	12.5%	11.4%



There is some maintenance cost associated with existing mall properties. Based on an analysis of GGP and its primary mall competitors, it appears this maintenance cost is approximately \$1.9 per square foot of 'GLA' (gross leasable area). While tenant contracts are typically long term (7 to 10 years), contracts can be broken at the cost of a lease termination fee, which tends to be around 2 years worth of rental income up front. For accounting purposes, this income is treated as revenue. Due to the lack of cost associated with such revenue, it is pure profit when generated, though non-recurring.

The trend towards rise in occupancy cost as % of sales is expected to strengthen off declining retail sales and consumer expenditure. The macro-economic factors clearly stand to point out that the situation is going to worsen from the present levels. Consumer credit and retail sales have softened due to decline in consumer spending. As US economy continues to slowdown, many retailers are expected to revisit their growth plans and curtail some of their existing operations forcing further lease terminations. Also as retailer's occupancy costs increase steadily as % of tenant sales, rentals could face downward pressure. GGP has witnessed higher lease terminations in the last quarter as manifested by increase in non-recurring termination fee income to \$21.0 mn in 1Q2008 from \$3.7 mn in 1Q2007, resulting in one-time non-recurring revenue for the company in 1Q2008 at the expense of future core operating earnings. As a result the company's average occupancy level has declined to 92.7% in 1Q2008 from 92.9% in 1Q2007. GGP's reported revenues from consolidated property increased 18.3% to \$798.3 bn in 1Q2008. However revenues excluding Homart acquisition and lease termination fee increased by a marginal 0.3% to \$682 mn. The rentals have already started to witness a sign of slowdown and an increase in lease terminations could imply lower rentals for the company going forward for the same property under a renewed lease agreement.

Recommend this article...

*Item 1-There is very clear evidence that GGP is heading into a refinancing-induced*

## liquidity crunch

### Summary

At the end of Q1 2008, GGP had \$2.6B and \$3.3B of debt coming due in 2008 and 2009, respectively. The refinancing "progress" that it stated it had made in Q1 was almost entirely short term high rate debt coming due in November 2008, though they did not state as much. They also did not state that despite raising over \$880M of equity capital in Q1 2008, their total debt maturities in 2008 and 2009 have actually gone up.

GGP has paid off its \$492M revolver due in 2011 while it has \$350M due in July 2008 which was still outstanding at the end of Q1 2008 – **this is highly suspect**. An unsecured lender reduced the principal owed by GGP by \$172M, an action which is typically only taken in bankruptcy – also highly suspect. Finally, the magnitude of guarantees has risen materially over the past quarter, indicative of rising lender concerns.

The primary mechanism through which they have historically financed their operation, the CMBS market, is almost entirely shut down. Some of the biggest participants in the CMBS market have announced they are scaling away from the CMBS market, which does not bode well for their ability to fund themselves through the CMBS market in the future. Prudential, Wells Fargo, Morgan Stanley and Capmark Financial Group are examples of large institutions that are exiting or reducing their exposure to the CMBS market.

Life insurance companies, which GGP has mentioned recently as a potential source of replacement capital, have been called a "cumbersome" and highly difficult source of capital by major competitors. They are also the same companies that are now scaling away from the CMBS market, and are in the process of announcing large write-offs and capital raises of their own.

GGP has turned to up front lease termination income as a source of capital it seems, based on the highly abnormal rise in lease termination income the past few quarters. GGP is also now turning to loans from its JV subsidiaries. GGP has repeatedly stressed that it will not do a "fire sale" of assets, while healthy companies would never state as much.

Although GGP had closed its CMBS operations earlier, it is now seeking to explore CMBS deals (in addition to bank financing) which it believes would re-finance its existing debt maturities for the remainder of 2008 and nearly 30% of debt maturities of 2009. Although CMBS market is facing drying liquidity and being scaled away by other market participants in the light of high uncertainty in the current credit environment, GGP plans to raise between \$1.5 bn and \$3.0 bn through CMBS bonds. So far in 2008 (5 months of 2008), the entire CMBS market has witnessed only \$10.9 bn of activity compared to CMBS issuance of \$230 bn in 2007. To put this plainly, GGP is telling us that it plans on representing roughly 7% to 35% of the entire CMBS market in the refinancing of its debt. Looking at the CMBS market activity to date, **GGP's claim to raise between \$1.5 bn-\$3 bn remains highly suspect**. In addition to this, GGP is also negotiating a \$1.75 bn term loan. With total maturities of \$2.8 bn and \$3.3 bn in 2008 and 2009, respectively, GGP will face some testing times ahead to re-finance its mammoth debt.

Further to the detriment of this companies financial position, GGP is also planning to raise funds by encumbering its existing unencumbered properties at a point of time when financial institutions have strengthened their standards for having lower LTVs on properties. Also the company is considering reducing its stake in joint ventures and using the proceeds to re-pay debt. Such actions under the current deteriorating capital market conditions might result in under realization of its investments, or to put it plainly the sacrificing of shareholder value by selling into an unfavorable market.

**Wait and see approach of big lenders, probably Citigroup, only extending January 2008 maturities out to November 2008.**

In a March 2008 press release, GGP stated that it had raised \$1.3B, generating \$658M of excess proceeds for GGP. However looking in detail at GGP's loan activities, it appears that the most important debt maturity in Q1 2008, \$650M of debt on the Fashion Show mall, was merely extended 10 months to November 2008, and at a rate 180 basis points higher than its old interest rate no less. This is hardly a vote of confidence, and it does not remove the near term credit risk associated with such debt.

Similarly, \$250M of new debt was raised on GGP's recent \$290M initial payment on the Palazzo. Like the \$650M of Fashion Show debt, this \$250M is high cost debt which matures in November 2008. Thus, in November 2008 alone, GGP now has

\$900M of debt which is coming due. This is probably the lender taking a wait and see approach – if conditions improve over the next few months, and the markets clear up, then maybe the lender will put his feet back in the water. If not, the lender will call his loans. If one has followed my comments on the banking sector via [Reggie Middleton on the Asset Securitization Crisis](#), it is plain to see that the banks are fearing insolvency and would rather not take in additional real assets if they have to, but have few choices as customers are having severe solvency problems of their own, ala GGP.

Debt	Amount		Maturity		Interest Rate		Fixed or Variable?	
	Q4 07	Q1 08	Q4 07	Q1 08	Q4 07	Q1 08	Q4 07	Q1 08
Fashion Show	359.0	650	1/1/2008	11/28/2008	3.88%	5.66%	Fixed	Variable
Palazzo	n/a	250	n/a	11/28/2008	n/a	5.80%	Fixed	Variable

[This](#) lists in detail all recent and upcoming debt maturities on consolidated and unconsolidated properties. It also lists other notable debt. It lends further credence to the view that lenders are taking a wait and see approach.

Only 2 consolidated malls, Provo Mall and Spokane Valley Mall, were successfully refinanced with more than their prior debt balance. One unconsolidated mall, Altamonte, was also successful in this regard. However these malls are very small relative to total debt coming due, and negligibly small relative to the Palazzo and Fashion Show data points above.

**Wait and see approach of the senior bridge facility lender seems more like a desperation move on a failing investment than anything else.**

GGP had a serious problem with their Senior Bridge Facility. In Q1 2008, after an \$882M equity offering and presumably a concerted refinancing effort, GGP still had \$522M due on the Senior Bridge Facility alone, coming due in July 2008. (Click to enlarge)According to [GGP's Q1 2008 note on their Senior Bridge Facility](#), GGP was able to amend the terms on the bridge facility to reduce the principal from \$522M to \$350M, "substitute previously unsecured properties for the pledge within the collateral pool", and acquire the right to extend the maturity date for another 7 months, to January 31 2009. Why is this lender simply accepting a materially worse loan agreement at a time when GGP is obviously in a financing bind?

Whatever the case may be, this activity appears very peculiar, and is very much out of the ordinary – what lender reduces the principal on a very large loan? Typically, principal is lowered in distressed/workout/bankruptcy situations in which the lender is attempting to salvage what could be partial or total loss, not while the company is still very much alive, trading at a relatively high multiple off of its normalized free cash flow. Needless to say, reducing principal is something we see only at companies with very weak balance sheets, and supports the notion that GGP's balance sheet is in dire straits.



What we do know is that Citigroup appears to be entangled with GGP on multiple levels already – they loaned the Bucksbaum family \$88M to buy stock in the recent equity offering, then removed the third party pledge on the Bucksbaums' shares as collateral. Whatever is prompting Citigroup to accept a weaker position there could be prompting Citigroup to accept a weaker position here – lowering the principal amount on a bridge facility by \$172M, AND providing a debt extension of 7 months. My belief is Citigroup has a lot to lose, economically and reputationally, if GGP were to fall into bankruptcy. Citi was 1 of 2 companies who bought into the \$1.5B convertible debt offering, and is probably earning large fees off of banking relationships and fees associated with GGP's debt issuances. Citi may own a substantial portion of GGP's secured loan portfolio, but this information is not readily available. Citigroup clearly would lose economically, and get bad press for being associated with another failed institution.

On November 9, 2004, MB Capital Partners III entered into a loan agreement with Citigroup Global Markets to provide credit facility of up to \$500 mn. Although initially the loan agreement was to finance the exercise of warrants for financing the acquisition of The Rouse Company, it was subsequently amended to finance purchase of shares by MB Capital. On October 31, 2007, Citigroup extended the loan to MB Capital at a very nominal rate of interest of LIBOR plus 50 basis points suggesting the possibility that Citigroup might be helping MB Capital finance purchase of GGP's shares. In addition to abnormally low rate of interest being charged for the transaction, the loan agreement was amended subsequently terminating third party pledge of shares of common stock held by John Bucksbaum and Matthew Bucksbaum further raising concerns about the entire financing deal between Citigroup and MB Capital.

Another peculiarity is the lack of mention of this very important detail. GGP had \$522M coming due in a mere 4 months, and was able to reduce that principal payment by \$172M, but gave no mention to this fact in the conference call or press release. And no rationale for this was stated in the 10Q. This is a very material lack of disclosure which GGP needs to clear up.

**Apparently, though GGP has not stated as much, their revolver got effectively pulled.**

GGP had \$429.2M drawn on its revolver as of Q4 2007. Even though the revolver expires in February 2011, GGP paid it down to \$0 this Q for an unannounced reason (look to the bottom of this table for data on the revolver).

2008 Debt Maturity Update	Amount		Maturity		Interest Rate		Fixed or Variable?		Book Value		EBITDA		Secured/Unsec'd		Consolidated?	
	Q4 07	Q1 08	Q4 07	Q1 08	Q4 07	Q1 08	Q4 07	Q1 08	Q4 07	Q1 08	Q4 07	Q1 08	Q4 07	Q1 08	Q4 07	Q1 08
Fashion Show	359.0	650	1/1/2008	11/28/2008	3.88%	5.66%	Fixed	Variable	1,204		38%	54%	Secured	Secured	Consol.	Consol.
Palazzo	n/a	250	n/a	11/28/2008	n/a	5.80%	Fixed	Variable	290				Secured	Secured	Consol.	Consol.
Provo Mall	34.5	41.25	2/1/2008	4/3/2012	4.52%	5.88%	Fixed	Fixed	101		54%	41%	Secured	Secured	Consol.	Consol.
Spokane Valley	28.5	41.25	2/1/2008	4/3/2012	4.57%	5.87%	Fixed	Fixed	90		32%	46%	Secured	Secured	Consol.	Consol.
Phoenix Theatre	0.5	0	4/1/2008	n/a	8.39%	n/a	Fixed	n/a					Secured	n/a	Consol.	n/a
Two Dings Mills	12.6	0	5/1/2008	n/a	4.27%	n/a	Fixed	n/a					Secured	n/a	Consol.	n/a
Columbiana	56.1	85.7	3/1/2008	5/1/2008	4.37%	4.37%	Fixed	Fixed	112		59%	59%	Secured	Secured	Consol.	Consol.
Animas Valley	24.7	24.5	7/1/2008	7/1/2008	3.70%	3.70%	Fixed	Fixed	57		44%	43%	Secured	Secured	Consol.	Consol.
Grand Tesco	28.9	26.3	7/1/2008	7/1/2008	3.69%	3.69%	Fixed	Fixed	80		33%	33%	Secured	Secured	Consol.	Consol.
Mayfair	181.3	180.2	7/1/2008	7/1/2008	3.17%	3.17%	Fixed	Fixed	332		55%	54%	Secured	Secured	Consol.	Consol.
Salem Center	25.6	23.4	7/1/2008	7/1/2008	3.69%	3.69%	Fixed	Fixed	34		47%	47%	Secured	Secured	Consol.	Consol.
Pioneer Plaza	166.6	162.5	8/1/2008	8/1/2008	6.76%	6.76%	Fixed	Fixed	243		68%	68%	Secured	Secured	Consol.	Consol.
Footfalls	42.1	42.2	8/29/2008	8/29/2008	6.63%	6.63%	Fixed	Fixed	128		33%	33%	Secured	Secured	Consol.	Consol.
Hutchinson Mall	34.1	73.8	8/1/2008	8/1/2008	6.77%	6.77%	Fixed	Fixed	173		45%	45%	Secured	Secured	Consol.	Consol.
Chula Vista	80.2	59.9	10/1/2008	10/1/2008	4.24%	4.24%	Fixed	Fixed	88		68%	68%	Secured	Secured	Consol.	Consol.
Fraser Station	36.1	36.1	10/1/2008	10/1/2008	6.54%	6.54%	Fixed	Fixed	63		58%	58%	Secured	Secured	Consol.	Consol.
Spring Hill	79.7	79.3	10/1/2008	10/1/2008	6.61%	6.61%	Fixed	Fixed	176		45%	45%	Secured	Secured	Consol.	Consol.
Tucson Mall	120.6	120.0	10/1/2008	10/1/2008	4.35%	4.35%	Fixed	Fixed	247		49%	49%	Secured	Secured	Consol.	Consol.
Bayside	54.3	54.0	11/3/2008	11/3/2008	6.00%	6.00%	Fixed	Fixed	207		38%	38%	Secured	Secured	Consol.	Consol.
Southwest Plaza	74.5	74.1	11/3/2008	11/3/2008	6.54%	6.54%	Fixed	Fixed	187		40%	40%	Secured	Secured	Consol.	Consol.
Birchwood	39.2	38.9	11/11/2008	11/11/2008	6.72%	6.72%	Fixed	Fixed	85		46%	46%	Secured	Secured	Consol.	Consol.
Mall of the Bluffs	99.2	88.9	11/11/2008	11/11/2008	6.72%	6.72%	Fixed	Fixed	76		51%	51%	Secured	Secured	Consol.	Consol.
JP Realty Public Ho	25.0	0	8/1/2008	n/a	7.29%	n/a	Fixed	n/a					Corp.	Corp.	Consol.	Consol.
Mall St Matthews	0.1	0.1	5/1/2008	5/1/2008	9.03%	9.03%	Fixed	Fixed					Corp.	Corp.	Consol.	Consol.
Houston Land	8.8	7.0	5/5/2008	5/5/2008	4.82%	4.82%	Fixed	Fixed					Corp.	Corp.	Consol.	Consol.
Princeton Land	3.8	3.6	7/29/2008	7/29/2008	3.04%	3.04%	Fixed	Fixed					Corp.	Corp.	Consol.	Consol.
Princeton Land E	3.4	3.4	7/29/2008	7/29/2008	3.00%	3.00%	Fixed	Fixed					Corp.	Corp.	Consol.	Consol.
TRCP Property No	58.0	58.0	11/30/2008	11/30/2008	6.94%	6.94%	Fixed	Fixed					Corp.	Corp.	Consol.	Consol.
Senior Bridge Loan	722.2	522.2	7/6/2008	7/6/2008	6.26%	4.17%	Variable	Variable					Secured	Secured	Consol.	Consol.
Quail Springs	39.5	39.3	6/2/2008	6/2/2008	6.98%		Fixed						Secured	Secured	Uncons.	Uncons.
Neshaminy	80.0	80.0	7/1/2008	7/1/2008	6.78%		Fixed						Secured	Secured	Uncons.	Uncons.
Woodlands Com	1.9	1.9	7/25/2008	7/25/2008	4.81%		Fixed						Secured	Secured	Uncons.	Uncons.
Altamonte	108.0	137.8	8/29/2008	2/1/2011	6.55%	5.14%	Fixed	Fixed					Secured	Secured	Uncons.	Uncons.
Towson Town Ce	130.0	129.3	11/10/2008	11/10/2008	6.84%	6.84%	Fixed	Fixed					Secured	Secured	Uncons.	Uncons.
Revolver	429.2	0	2/24/2011	n/a	6.60%	n/a	Variable	n/a					Unsecured	Unsecured	Consol.	Consol.
Oakwood Center	95.8	95	2/9/2008	2/9/2008	6.60%	5.05%	Fixed	Variable					Secured	Secured	Consol.	Consol.

Given that the interest rate was a fairly reasonable 6.6%, the only logical rationale is that GGP had to – that it had effectively gotten pulled. Again, this is not a vote of confidence, and further constrains GGP's already strained balance sheet.

This further complicates the issue regarding the Senior Bridge Facility. Why would GGP pay down the revolver by \$429M and leave the \$522M Senior Bridge Facility untouched, when the revolver matures in 2011 and the Senior Bridge Facility matures in July 2008? There are clear red flags here which have not been explained, but have been given zero disclosure.

GGP in its last press release on March 21, 2008 related to financing activity had promised investors to provide an update of its major financing transactions as and when they occur. However, the company has not come out with any press release since then suggesting it has not negotiated any financing deals. As per the company's last press release, it had raised a debt of \$1.3 bn towards properties which had existing debt of \$0.6 bn thus generating excess proceeds of \$0.7 bn to purchase The Shoppes at Palazzo, to make contributions to JV's, to repay existing debt and for general operating expense leaving the company to raise additional financing of \$2.2 bn and \$3.3 bn in 2008 and 2009, respectively.

**It appears that someone got nervous enough to force GGP to post a lot of additional guarantees**

This graph unambiguously implies that something happened in Q1 2008 which prompted counterparties with GGP to force additional collateral and guarantees to be posted. Exactly what has not been stated.

Below is a table which provides historical perspective:

	<u>Q1 2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
LOC's + Surety Bonds	496.6	235.0	220.0	210.0	194.0	11.8	12.1
- Appellate Bond	(134.1)	0.0	0.0	0.0	0.0	0.0	0.0
= Non-Appellate LOC+SB's	362.5	235.0	220.0	210.0	194.0	11.8	12.1

GGP mentioned having to post an appellate bond of \$134M in Q1 2008, which is basically the money they had to set aside because they lost a lawsuit which requires them to pay \$90M. As a side note, they had to put up cash of \$67M as collateral. Even when adjusting for the appellate bond though, we clearly see additional forces are at work which have prompted a 54% increase net of the appellate bond.

Once again, little disclosure. Reading between the lines though, it is clear that counterparties are tightening standards with GGP.

Recommend this article... 

**For all that GGP has said it has done, there is MORE debt due in 2008 this quarter than there was last quarter.**

At the end of Q4 2007, GGP had \$2.6B of debt maturing in 2008. At the end of Q1 2008, GGP had \$2.8B due. Debt due in 2009 was \$3.3B at the end of Q4 2007 and Q1 2008. Even though GGP spoke highly of the progress it has made on the refinancing front, and even though it raised \$821 in equity capital in the Q, there was literally negative progress during Q1 2008.

This table allows us to see the evolution of debt due in 2007, 2008 and 2009. It also allows us to compare how the debt due in the following 2 years considerably more difficult now than it was a year ago:

	<u>Q1 08</u>	<u>Q4 07</u>	<u>Q3 07</u>	<u>Q2 07</u>	<u>Q1 07</u>	<u>Q4 06</u>	<u>Q3 06</u>
Due 2007	0	0	963	1105	1,174	1,208	1,250
Due 2008	2,767	2,622	2816	2,067	2,100	2,117	2,130
Due 2009	3,335	3,344	<b>3,540</b>	3,403	3,514	3,525	3,424

[This link](#) extends these figures backwards to Q3 2005, and further substantiates these views (numbers above have been adjusted as reported by GGP, the numbers below are from a 3<sup>rd</sup> party and are unsubstantiated – but then again so are the reported numbers!).

GGP has since then stated that it raised \$325M in mortgage refinancing. This leaves a lot of short term debt still on the table, primarily due to the large amount of debt which was extended to November 2008.

**GGP was funneled \$64M in "loans" from unconsolidated affiliates this Q, and now has \$164M of "retained debt" which is in excess of GGP's pro rata share, but doesn't show up on GGP's balance sheet.**

GGP is liable for \$163M of debt in its unconsolidated affiliates in excess of GGP's pro rata share through the normal course of business. This debt is labeled "Retained Debt" and is indeed real debt for GGP, but is instead recorded on GGP's balance sheet as a reduction in the net carrying value of the unconsolidated affiliates. Thus, the balance sheet under-represents the debt that GGP has.

As stated in GGP's Q1 2008 10Q:



*'In certain circumstances, we have debt obligations in excess of our pro rata share of the debt of our Unconsolidated Real Estate Affiliates ("Retained Debt"). This Retained Debt represents distributed debt proceeds of the Unconsolidated Real Estate Affiliates in excess of our pro rata share of the non-recourse mortgage indebtedness of such Unconsolidated Real Estate Affiliates. The proceeds of the Retained Debt which are distributed to us are included as a reduction in our investment in Unconsolidated Real Estate Affiliates. In the event that the Unconsolidated Real Estate Affiliates do not generate sufficient cash flow to pay debt service, by agreement with our partners, our distributions may be reduced or we may be required to contribute funds in an amount equal to the debt service on Retained Debt. Such Retained Debt totaled \$162.7 million as of March 31, 2008 and \$163.3 million as of December 31, 2007, and has been reflected as a reduction in our investment in Unconsolidated Real Estate Affiliates.'*

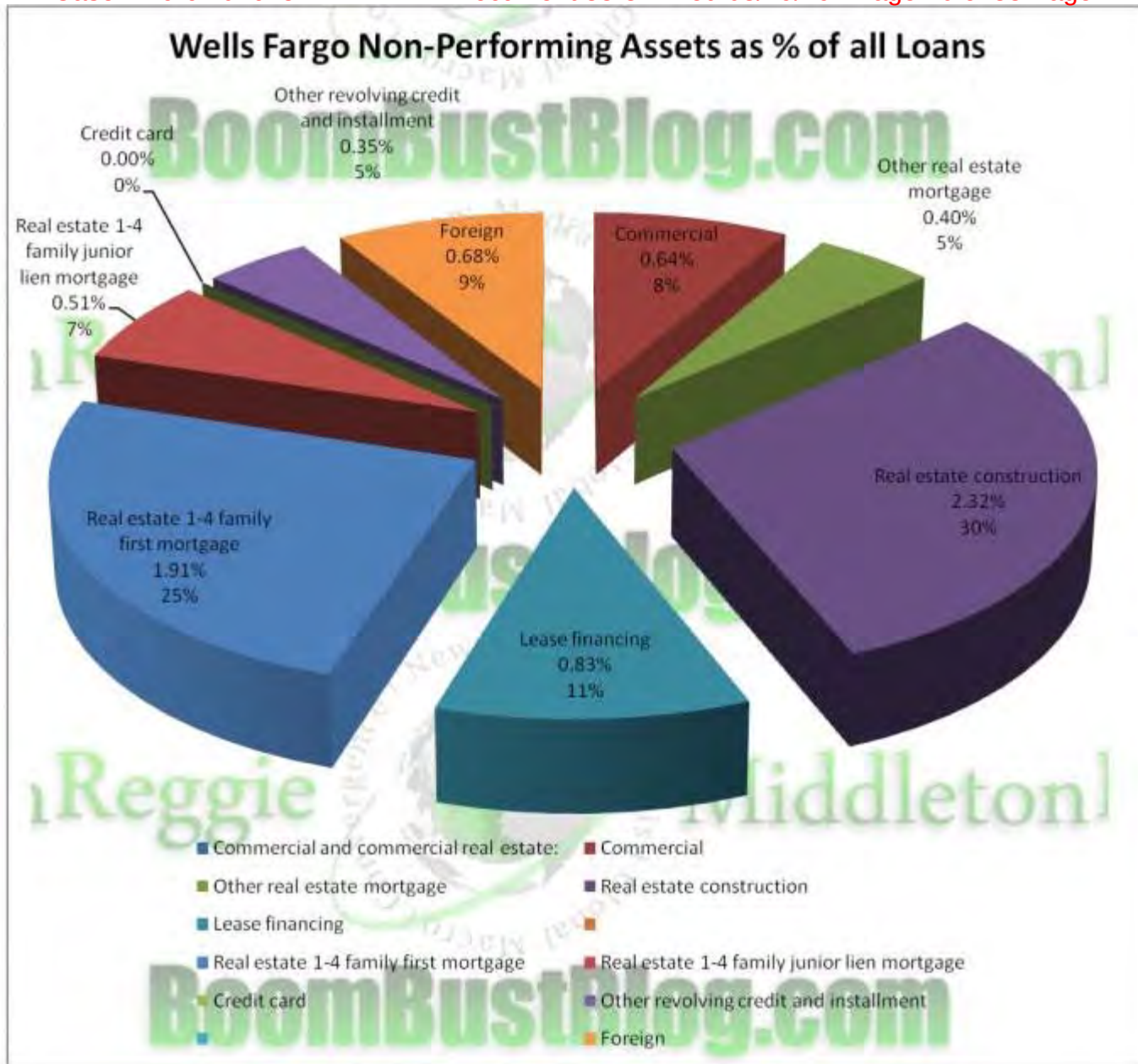
Somehow, Retained Debt remained flat in Q1 2008 while GGP received \$64.4M in loans from its subsidiaries in this Q alone. Whatever the case may be, GGP is receiving liquidity from its own subsidiaries, which is not something a healthy company would do.

### **Cutting its development expenditures but already very fully exposed to construction loans risk.**

GGP cut its future development expenditures by \$600M – a very considerable sum of money – and will be spending a revised \$1.5B through 2012. GGP is now trying to conserve as much cash as it can.

As a result of likely difficulties in meeting its re-financing needs, we expect GGP to slowdown on its capital expenditure towards maintenance and development activities which could result in loss of future expected revenue stream. This is serious in view of the fact that future revenue stream is being sacrificed due to current liquidity problem the company is facing. And this is only going to prolong the recovery process for the company, if one is to sound a little optimistic under the current scenario.

GGP has \$1.35B in loans for numerous projects in development right now. Bernie Freibaum says *"we currently anticipate that during the fourth quarter of this year, and continuing into the beginning of 2009, we will obtain construction financing."* However it has been made abundantly clear in the press and by the FDIC that construction loans will come under heavy pressure as commercial banks scale away from this lending. If that doesn't convince you, then just remember that Reggie Middleton sounded the alarm on construction lending. Here's a few snippets from the [Asset Securitization Series on my blog](#)



**Large exposure in Construction and Development (C&D) loans:** Of its total loans of \$386 bn, Wells Fargo (WFC) had \$19 bn exposure in construction and development loans in 1Q2008. WFC's exposure was the fourth largest among all US banks in absolute amount after Bank of America, Wachovia and BB&T, comprising nearly 36% of its shareholder's equity (this is unadjusted for bullsh1t). In 1Q2008, C&D loans witnessed the highest stress with NPA to loan ratio of 2.32%, followed by real estate 1-4 family first mortgage with NPAs to loan ratio of 1.91%. C&D NPAs (Non-performing or dead assets) witnessed a 114% increase over 1Q2007 and 38% increase over 4Q2007. In Wells Fargo loan portfolio, as of December 31, 2007 California represented nearly 32% of total C&D loans, Florida represents 5%. These areas are experiencing extreme stress due to thier high (the highest in the country) residential delinquency, foreclosure and REO rates.

We can compare WFC to Popular Bank:

Wells Fargo	Popular Inc
WFC US Equity	BPOP US Equity

(3Q-2007)

Home Equity Loans	83,860	
Construction and development loans	17,228	1,996 These high risk loans are present, though

Commercial Real Estate Loans	29,310	5,939	The same for these
<b>Total Loans (\$ mn)</b>	<b>393,632</b>	<b>33,321</b>	
<b>% of Total Loans</b>			
Home Equity Loans	21%		
Construction and development loans	4%	6%	Small capital base, less cushion for loss
Commercial Real Estate Loans	7%	18%	This concentration could be problem
<b>% of Shareholders' equity (based on 3Q Loans)</b>			
Home Equity Loans	178%	49%	This is potentially a big problem
Construction and development loans	36%	56%	This is potentially a big problem
Commercial Real Estate Loans	62%	166%	This is potential problem, high concentration
<b>Total Loans</b>	<b>826%</b>	<b>930%</b>	Popular has nearly 10x its equity in loans, 270% of which is extremely risky in one of the worst down-markets this country has ever seen.
<b>Core Capital ratio / Tier 1 risk-based capital</b>	7.6	10.1	This ration is not that bad
<b>Total risk-based capital ratio</b>	10.7	11.4	Neither is this, could be worse
<b>Leverage ratio</b>	6.8	7.3	
<b>NPA -to- Total Loan</b>	<b>1.01%</b>	<b>3.04%</b>	This is very bad!
<b>NPA / Shareholder's equity</b>	<b>8.1%</b>	<b>23.8%</b>	This is even worse! Nearly a quarter of shareholder equity is dead weight and worth zilch! Adjust for tangible equity and this number goes higher.
<b>Net Chare-off's / Loans</b>	<b>0.93%</b>	<b>1.51%</b>	This is pretty high for all loans!
<b>Net Charge offs / Shareholder's Equity</b>	<b>7.43%</b>	<b>11.81%</b>	Shareholders should revolt!
<b>Provision for loans to Total Loans</b>	1.41%	1.87%	
<b>Reerve for loans to Total Loans</b>	1.39%	1.96%	
<b>Cushion for losses</b>	<b>0.38%</b>	<b>-1.08%</b>	<b>Take note, there is a negative cushion for losses here. This bank will probably announce the need for capital very soon!</b>

Recommend this article... 

This is the nitty gritty on Sun Trust Bank:

**Increasing NPAs and charge-offs are on a very strong uptrend in just the one past year, one that cannot and should not be ignored:**

STI's nonperforming assets (NPAs) as a percent of loans have been increasing consistently over the last few quarters, having gone up to 1.88% in 1Q08 from 0.64% in 1Q07 - **considerable 294% increase.**



## NPA as a % of Total loans



Non-performing loans in real estate construction category have recorded the most significant upward movement from 0.39% of total real estate construction loans in 1Q07 to 4.01% in 1Q08 - a **NIGH UNBELIEVEABLE 1,028% increase!**

Basically, every regional lender with significant exposure to C&D thoroughly regrets it. Banks such as Corus look even worse. This segment went into OVERKILL mode to communicate the point that the aforementioned statement rings false. Let's replay it for the sake of effect: GGP has \$1.35B in loans for numerous projects in development right now. Bernie Freibaum says "we currently anticipate that during the fourth quarter of this year, and continuing into the beginning of 2009, we will obtain construction financing."

Exactly who will they be getting these construction loans from?????!!!

The head of the OCC and the FDIC have both basically said there will be rising failures in the industry. Says Dugan, the head of the OCC: "There will be more frequent interaction between supervisors and banks with concentrations in CRE loans that are declining in quality," he said. "There will be more criticized assets; increases to loan loss reserves; and more problem banks. And yes, there will be an increase in bank failures ([link](#))." He has also said that US bank failures could rise above "historical norms" due to a weakening economy and poorly underwritten loans. Sheila Bair, the Chairwomen of the FDIC, says these construction and development ('C&D') loans are "one of the chief risks to the banking industry" ([link](#)). Commercial real estate ('CRE') loans have risen rapidly as a percentage of bank Tier 1 capital, especially for mid-sized banks. Dugan himself states some of the more startling loan exposure statistics -

Over 33% of community banks have CRE concentrations exceeding 300%+ of capital.

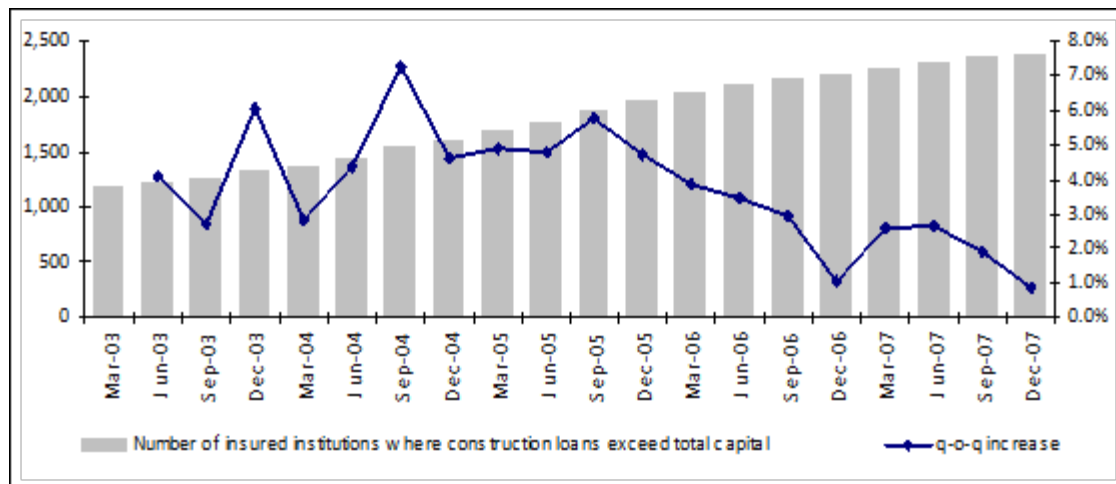
More than 60% of Florida banks have CRE exposure exceeding 300% of capital.

50% of Florida banks have C&D loans alone which are over 100% of their capital.

Even David Simon, CEO of Simon Property Group, has said "there are a lot of broken projects out there," and that "the floodgates ... are just going to begin to open... we're going to end up dealing with the construction lender."

According to Taubman Centers, these commercial banks have been the primary source of funding for mall REIT's. Taubman is glad that they don't have to tap the market at this time because it is almost completely frozen.

**According to the FDIC, the number of insured institutions where construction loans exceed total capital has more than doubled from 1,179 in 1Q 03 to 2,368 in 4Q 07.** This indicates that financial institutions have relied on external finance to achieve the level of growth in lending, which multiplied the concerns at the time of the crisis.



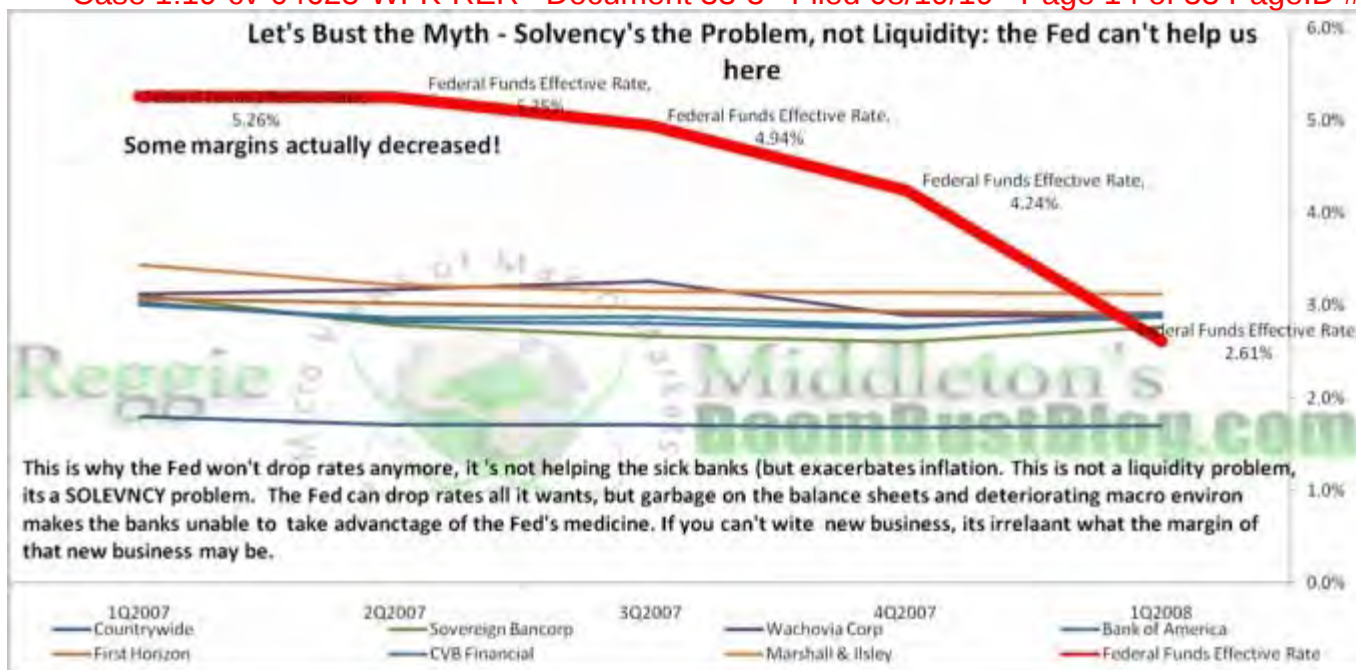
Source: FDIC

Increased loan charge-off and rising NPAs of commercial losses is indicating at increasing squeezing liquidity conditions in the credit market. The problem appears to only aggravate from the present level given that even consumer and construction loans, once considered to be untouchable by subprime and financial crisis, have been confirmed to come under the scanner of current financial market turmoil. Many commercial banks, which have not witnessed increases in their net interest margin over the last few months of declining Fed interest rate, could face testing times if Fed decides to raise interest rate to combat inflation. Insolvency could become a real scenario for banks facing declining asset value and rising charge-offs on their loans.

**Bernanke comes to the rescue that doesn't, and it bodes ill for C&D banks, and even worse for GGP!**

Federal Reserve chairman Ben Bernanke has spearheaded the most aggressive rate cutting and monetary policy action in the history of this country. He has reduced the effective federal funds rate by nearly 50% in just 5 calendar quarters, from an already relatively low 5.3% to 2.6%.

History's most aggressive rate cutting does nothing to help sick banks. As a matter of fact, some of the banks got sicker after the rate cuts. *Click any graph to enlarge to a full page, print quality presentation.*



The primary reason why the Fed's lowering of the interest rates is not helping the banks is because monetary stimulus via discount windows and low interest rates can solve liquidity issues, which the banks have - but the banks liquidity issues stem from **INSOLVENCY**, and illiquidity. Thus, all the Fed is doing is taking a pricey, risky (inflation and weakening currency that pisses off our trading partners) and volatile band aid and applying it to deep and gushing wound. Those band aids with the pretty colors do indeed tend to make Mama's baby's little boo-boo feel better, but from a scientific perspective do very little in regards to addressing deep puncture wounds. Hopefully, the message has been conveyed that there are no intelligent bankers currently giving C&D loans at a level that will satisfy GGP's needs. **If banks are insolvent, and GGP is overleveraged and choking on debt coming due, who will come to the aid of GGP?!**

Recommend this article...

### Generating all the cash it can from lease termination income.

Lease termination has been accelerating rapidly the past 3 quarters in a row. This table details the evolution of lease termination income. Note that back in 2006 there was 1 quarter which matched the current high level of LTI. Back then, GGP was proud that they were boosting income and churning the portfolio. Now, we have seen 3 consecutive quarters of increasing LTI, with no commentary until Q1 2008.

Details	Q1 08	Q4 07	Q3 07	Q2 07	Q1 07	Q4 06	Q3 06	Q2 06	Q1 06	2007	2006	2005
Lease Term. Inc.	21.0	17.2	10.9	3.5	3.7	3.8	3.0	2.0	22.4	35.3	31.2	10.8
Revenues	988.9	1,075.5	1,015.3	920.8	894.0	1,165.2	909.0	875.6	993.1	3,905.6	3,943.1	3,711.4
% of Sales	2.1%	1.6%	1.1%	0.4%	0.4%	0.3%	0.3%	0.2%	2.3%	0.9%	0.8%	0.3%
% Growth	462.1%	357.4%	264.8%	72.1%	-83.3%					13.2%	188.9%	

In Q1 2008, LTI was \$21M, up 462%. In Q4 2007 it was \$17.2M, up 360%. In Q3 2007 it was \$10.9M, up 265%. All figures are healthily larger than the comparable fees at TCO and at SPG. Moreover, fees went down for TCO and SPG in Q1 2008 while they went dramatically up for GGP. If GGP did indeed have a liquidity crunch on its mind, it would make sense for GGP to push as hard as it could on lease termination income, because these fees are large up-front payments that typically represent 2 years worth of rent.

While lease termination income could contribute to ease liquidity problems for GGP in the short-term, it would also mean lower recurring rental income in the future. Further, new lease arrangements, which are most likely to be entered at lower rentals amid declining consumer spending and lower retail sales, would only lead to decelerating rental income growth which is its core income and primary value driver (read lower equity valuations). Put simply, GGP is robbing Paul to pay Peter.

### Peculiar repetition from the CFO about GGP's "not doing a fire sale."

Bernie Freibaum has now stated 3 times that GGP will not do the equivalent of a fire sale. In the Q1 2008 conference call he said: "There is no fire sale being conducted, there is no need to do a fire sale." In a recent interview in the Wall Street Journal, he said "there are no distress sales going on" when referencing a potential de-leveraging deal. However, why would GGP specifically state that it is not doing a fire sale if it truly had no fears about a fire sale? Here are my team's analyses of GGP in an asset sale scenario and foreclosure scenario:

- GGP: Foreclosure vs Asset Sale
- GGP Refinancing Sensitivity Analysis
- GGP part 7 - Share value under the foreclosure analysis
- GGP part 8 - The Final Analysis: fire sale of prime properties

This talk of fire sales and distress sales follows on the heels of a press release put out by GGP on Saturday January 19<sup>th</sup> 2008 at 9:19pm titled "General Growth Responds to Recent Statements in the Press and Blogs", in which GGP states: "The Company is absolutely not in any danger of having to contemplate a bankruptcy filing, and the Company unequivocally has no intention of doing so." A company which is in a healthy financial condition would not say something like this.

The press mentioned in the late night weekend release referred to the journalist Hank Greenberg and the blog reference was aimed at the most handsome, the most knowledgeable, yours truly:

- My Response to the GGP Press Release, which seems to respond to blogs...
- For those who were wondering what sparked that silly press release from GGP...

GGP's specific use of the phrase 'fire sale' is interesting. On April 7<sup>th</sup> 2008, Centro Property Group was mentioned a similar phrase in a Wall Street Journal article: "At least five suitors have submitted preliminary bids to purchase the entirety of Centro Properties Group, but the cash-strapped retail-property concern isn't resigned to selling itself at a fire-sale price, according to people familiar with the situation." This does not put GGP in good company.

### **The CMBS market, GGP's primary source of capital, has completely shut down.**

Much has been written about the complete shut-down of the CMBS market. This provides a summary of some of the many market participants that have reduced their CMBS exposure (including companies that have been featured in here, particularly Wells Fargo and the Street's Riskiest Bank - both of which I stated have outsized CRE exposure). Prudential has stated that they have left the conduit-related CMBS business. Wells Fargo suspended originating commercial real estate loans for securitization until the market improves. Morgan Stanley has been actively reducing its CMBS and commercial real estate exposure. As this WSJ article notes, the inability of commercial banks to sell into the CMBS market at a reasonable price has forced the banks to simply hold these loans on their books.

**Problems in the CMBS market have been deeply aggravated over the past 4-5 months. Although the company has announced its plan to fund its debt refinancing needs from CMBS issuances, one can only raise more doubts than gather assurance over the plan.**

### **GGP's focusing on life insurance companies, which, according to TCO, are not a capital source you want to be relying on.**

Taubman Centers, a competitor to GGP, has called life insurance companies a cumbersome source of capital with fixed capacities for real estate deals. It has also been said that anything north of \$100M is simply too large for life insurance companies. In these market conditions, it may be a little bit of a stretch to expect life insurance companies to expand their allocation to real estate, implying GGP would have to muscle its way into the market by grabbing market share.

AIG on May 8<sup>th</sup> 2008 announced that it would take an \$8B writedown and do a \$12B capital raise. They are clearly not on sound financial footing, so are we to expect them to dramatically increase their activity in CRE?

Again, Prudential Financial is exiting the conduit-related CMBS market - they are moving away from the market, not towards it. Wells Fargo suspended originating CRE loans for securitization. Merrill sold its CRE lending business. Morgan Stanley is actively reducing its CMBS and CRE exposures, with Lehman facing a near run on the bank and Bear Stearns has already collapsed! The funding environment is evaporating - quickly!

### **GGP co-invested \$88M using money borrowed from Citigroup, potentially to compel others to participate in an \$880M equity offering.**



While the mechanics and legality behind this transaction are discussed in further length later in this analysis, this act is peculiar purely from a fundamental business standpoint. It is often the case that executives co-participate in offerings to signal confidence in the stock at the time of the offering. That being said, why would GGP's management term borrow \$88M, from Citigroup in relatively short term debt no less, to co-participate in a rights offering?

On March 24, 2008 GGP announced the sale of 22.9 mn shares at \$36 per share with total proceeds of \$821.9 mn to repay its revolving credit facility and other debt, and for general corporate purposes. The above offer which was closed on March 28, 2008 included sale of 2.4 mn shares sold for total proceeds of \$88 mn to MB Capital Partners III, an affiliate of and John Bucksbaum, CEO of GGP, and Matthew Bucksbaum, the company's Chairman Emeritus. Using the credit facility provided by Citigroup, MB Capital had purchased 10.09 mn GGP shares in open market between August 3, 2007 and August 20, 2007. Subsequently in March 2008, MB Capital used the loan to finance the purchase of \$88 mn worth of GGP shares, bringing into serious questioning the motives of Citi group's financing of the share purchase agreement.

### **GGP's operations were not self funding in Q1 2008.**

GGP generated FFO of \$223M. It spent \$151M on dividends, and another \$88M on maintenance capital expenditures. Reversing out \$16M of excess lease termination income and we are left with negative \$32M. It is only fair to reverse out \$3M of excess bad debt expense relative to historical averages in 2005 and 2006, which puts GGP's normalized cash outflow at \$35M per quarter right now, without any further possible deterioration in operating fundamentals or interest rates.

**It is also apparent that GGP will have a run on its income orientated investors, for GGP Can't Afford its Dividend! The dividend is currently being financed, and cannot be paid out of insufficient operating capital.**

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## *Item 2 - One-time items are holding up deteriorating core operational performance.*

### **Summary**

From a number of standpoints, it appears clear that GGP's core operations are deteriorating.

The Rouse Company, which GGP acquired in 2004, is far less profitable than it was last year at the operating level. Occupancy costs as a percentage of its tenants' trailing twelve months sales are trending upwards, which will increasingly exert downward pressure on rates. Lease termination income, peculiar land assessments and fluctuations in bad debt expense artificially propped up profitability in Q1 2008, but FFO growth will slow to 0% in Q2 2008. This does not bode well for the future. Finally, the business model of shopping malls is getting attacked on multiple fronts.

### **The Rouse Company, which tripled GGP's size in 2004, is far less profitable than it was last year at the operating level.**

At the end of the Q1 2008 10Q, GGP provides the performance of The Rouse Company ('TRC'). As we can see, revenue decreased from \$354M to \$348M. Operating income was slightly up, from \$102M to \$120M, but because the operation is not self funding (like GGP as a whole), TRC was forced to borrow more. Total debt in this Q alone rose from \$9.5B to \$9.7B, prompting interest expense to rise from \$108M to \$124M. As a result, net income dropped from \$295M to a mere \$5M.

REIT investors may scoff at actually reading the balance sheet and income statement, but even adjusting for D&A, this was still awful performance. Net income plus D&A plummeted from \$394M in Q1 2007 to \$91M in Q1 2008.

This is the asset that tripled the size of the company in 2004? What is especially peculiar is that this entity has total assets of \$15.9B and total revenues in the Q of \$348M, while GGP as a whole has total assets of \$29.5B and total revenues in the Q of \$830M. TRC, then, is responsible for 54% of GGP's assets, but 42% of its revenues. This is clearly a textbook example of investors binging during an asset bubble on cheap and easily available credit, only to find they grossly overpaid and made a strategic mis-step.

### **Artificial benefits from land value assessments, lease termination income and bad debt expense.**

It just so happens that lease termination income was up \$17M year on year, bad debt expense was down \$3M year on year, and the value of GGP's land was revised upwards by approximately \$21M in the quarter. All helped boost GGP's stated financial performance in the Q, but were extraordinary in nature.

The peculiar upward revision of the value of GGP's land position, which includes a heavy chunk of business in Las Vegas, was cited in the Q1 2008 conference call. This explanation does not appear to be particularly convincing, given its heavy reliance on "long term projections", even if they are at the expense of the current weakening operating environment.

**'Michael Gorman - Credit Suisse**

*Thank you. Bernie, actually, I had a question on the NPC business. Could you just walk me through some of the adjustments in the estimated value of the assets there? I guess I was a little bit surprised to see it go up given the impairment charge that you took at Columbia last year. Can you just talk about, was that entirelyly offset by Texas? What is your view on Vegas at this point? Was that flattened evaluation? And I guess where are the numbers are going there?*

**Bernard Freibaum - Executive Vice President and Chief Financial Officer**

*The valuation of land that's being developed over 30 years is very different process than valuing unsold homes for example, if you're a builder or even lots owned by a builder who has obviously got them in inventory. So the valuation process involves a **long-term cash flow model with numerous assumptions (think level III accounting for REITs)**, and this is what we use both for this annual evaluation as well as a re-valuation and effect every quarter to determine how much of our cost is attributable to land that it sold for booking profit. We did have a write down in Columbia and Fairwood fairly significant one but the total holdings there and the book value attributable to that land is low. So, the land in Vegas and Houston did make up for the reduction in the value of Columbia and Fairwood. Houston, the Woodlands and Bridgeland are two of the best projects in the city... And, the way the model works, if you do a 20 or 30 year long-term projection and you consider the net price of value of all that activity, you get a number and despite the soft current environment for housing including in Summerlin because builders have excess inventory."*

Reggie's take: This is Bullsh1t, to the sh1tieth degree! I am flabbergasted that no analysts took them to term on this. I guess I will have to attend the next conference call in person! Think about this... You buy up a bunch of property in the desert at record prices that was dirt cheap (no pun intended!) just last decade, then as the market totally collapses you decide to use long term forecasting and subjective assumptions in an attempt to wring "theoretical" value out of "real" land losses. Tell, me, why can't the home builders do this with their rental, condo and community properties? All they need to do is say they are going to sit on it long enough and hope the market turns around hard enough and long enough to recoup their losses. The banks have tried this with their MBS and CDOs, and it just didn't work. Land is a lot less complex than theoretical math model based CDOs and derivatives, hence the bullsh1t should be easier to smell.

**Occupancy is trending downwards, while comparable sales were almost flat.**

For the first time in at least the last 4 quarters, year on year occupancy decreased while tenant sales have remained flat. As a result, occupancy cost ascended as a % of sales to the highest levels GGP has ever recorded, at 12.8%. This table provides historical context:

	<u>Q1 08</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Occupancy Cost % of sales	12.8%	12.5%	12.6%	12.1%	12.5%	11.4%

The outlook on retail sales for the remainder of 2008 does not appear to be good as we are heading into a recession, if not already in one. This does not bode well for GGP's ability to raise rents further, or even hold them steady for there is already tangible evidence of weakening rents in both the stronger and weaker markets.

**FFO growth will slow to 0% in Q2 2008.**

GGP has stated that they expect Q2 2008 FFO to be flat relative to Q2 2007. As Bernie Freibum stated: 'Please note that in the first quarter of 2008, we produced \$0.11 of the total estimated range of \$0.55 to \$0.61 of full-year 2008 core FFO per share improvement. Due to timing differences, we currently expect a flat second quarter.' Bernie doesn't elaborate into what these timing differences actually are, leading me to believe that this flat sales performance is not extraordinary in nature. This lends further support to the one-time nature of the growth that we saw in Q1 2008, and is not reflective of core fundamental strength.

## **Mall REITs are pulling back on development plans**

As stated in recent articles, the long lead time involved in the construction of malls has created a large amount of supply which will be hitting the market in 2008. This may prove to be untimely, and does not bode well for absorption of the space.

At the same time, executives at some major mall REITs have become markedly more cautious in their guidance and outlook. At a recent conference, the CEO of Glimcher Realty Trust was quoted saying "I'm not afraid for '08 [results], ... Where you get nervous is thinking about '09. Retailers are clearly opening fewer stores, and they're being more aggressive" in negotiations with landlords.

## **Current economic realities will challenge the shopping mall business model**

Consumer spending in shopping malls has a few pre-requisites:

1. • It often requires individuals to drive long distances for the sole purpose of going to the mall
2. • It requires discretionary income, given how large apparel sales are as a percentage of total mall sales
3. • It requires consumers to pay a premium for the mall experience and the enclosure itself, as goods in shopping malls command a premium to comparable goods that can be purchased through other distribution channels
4. • It is predicated on retailers being able to source their goods, often manufactured overseas in countries like China, cheaply

This business model is coming under attack on multiple fronts.

1. • The high price of gas makes it a lot more expensive to take that trip to the mall, especially if the sole original purpose was mall shopping
2. • Discretionary income is getting hit on multiple fronts – labor wages aren't keeping up with inflation in the price of necessity goods, unemployment as defined by total hours worked is on the decline, the financial system is in the process of de-levering itself and tightening its ability to fund consumer borrowing
3. • Consumers may have been more willing to pay a premium for the mall experience when times were good, but that proclivity is attenuating as discretionary income shrinks
4. • Weakness of the dollar relative to our major trade partners, and inflation in the cost of goods for our trade partners, is causing the price of the goods they export to the US to rise

On top of this, as noted above, the un-levered returns associated with mall properties is such that large amounts of leverage are required for a reasonable return on equity. As the CMBS market has shut down and credit tightens, the ability to tap the debt markets also lessens.

On multiple fronts, the shopping mall business model is coming under attack.

Recommend this article... 

## *Item 3 - Evidence that GGP is misrepresenting itself and breaking securities laws*

The analysis below supports the conclusion that GGP may have misrepresented itself.

### **Abstract**

General Growth Properties ('GGP'), the 2<sup>nd</sup> largest mall REIT in the United States, appears to have withheld very material, necessary financial information from the public while engaging in a number of peculiar or financially aggressive transactions. This apparent lack of disclosure is in direct contravention to conservative securities practices, to say the least

and there may even be even serious violations which have been masked by non-disclosure. The incentive structure in its current state encourages risky behavior.

As an outsider, one can not know for sure, but it is plausible to assume that the primary goal behind the alleged non-disclosure and financial aggressiveness is to inspire artificial confidence within the capital markets, to aid their capital raising needs over the next 2 years. GGP has been the subject of 4 prior SEC comments<sup>1</sup>, so this would not be the first time GGP has been questioned over its accounting disclosures.

The primary questionable or aggressive financial actions are as follows:

(1) **Beginning in August 2007, the family which founded and has run GGP started borrowing heavily against tax-advantaged family trusts with non-recourse debt from Citigroup Global Markets (CGM) to directly purchase GGP stock.** As of March 2008, total borrowings by the family trusts in question amount to \$588 million, implying a debt to capitalization of approximately 22% at current non-distressed price levels. This very aggressive behavior has been a red flag in the past – precedents include WorldCom, Global Crossing, Safeguard Scientific, Benton Oil and Stamps.com<sup>2</sup>. The founder, the Chairman, the CEO, and the 20% majority owner of GGP all originate from this one family, which makes this leverage all the more troubling due to its high level of concentration.

GGP had 266.8 mn shares outstanding as of March 28, 2008. Of this the three trusts, GTC, MB Capital Partners III and MB Capital Units, together hold nearly 26.8 mn shares taking their aggregate voting rights to 10% of outstanding shares. In aggregate Bucksbaum Family along with its trust own 12.1% of GGP's common stock. In addition, above trusts collectively own 45.2 mn units fully convertible units for one-for-one basis taking their aggregate potential voting rights to 24.8%.

(2) **Matthew Bucksbaum ('MB') – GGP's Chairman Emeritus, founder and ex-CEO – appears to have legally distanced himself from this financial arrangement.** He divided the trusts which name him as the President or Trustee from all other trusts when GGP borrowed its first \$500 million to buy GGP stock in August 2007. He stepped down from the Chairman position 2 weeks later. In March 2008, when MBCP borrowed an additional \$88 million to buy more GGP stock in an equity offering, he pulled these entities directly associated with him completely out of the trust structure doing the borrowing on a one-for-one basis. It is unclear why he would distance himself in this fashion, and appears to be a red flag.

(3) **CGM appears to be engaging in non-arms length transactions with GGP.** The original \$500 million loan that CGM extended to GGP in August 2007 was at an interest rate of LIBOR plus 50 basis points, which itself seems cheap given the debt to capitalization, the lack of diversification of the underlying portfolio, and the lack of collateral. The terms got substantially laxer when MBCP borrowed an additional \$88 million 7 months later. Given the higher risk associated with the additional loans in addition to the extreme financial straits that Citibank itself is in, it is very peculiar that CGM would materially ease the lending terms, implying there are undisclosed complicating factors.

The primary material items which have not been disclosed are as follows:

- ) **Omitted loan agreement in their April 1<sup>st</sup> 2008 13D/A, which was supposed to be filed as an exhibit.** GGP states in the 13D/A itself that it will include the revised Loan Agreement as an exhibit. That exhibit was not included in their filing with the SEC. Without this information, public shareholders are left in the dark on a transaction which has materially diluted their residual claim on GGP's cash flow.
- ) **Very opaque information regarding the counterparties that bought 6.9% of the diluted shares outstanding in an equity offering completed in March 2008.** It is extremely unusual for a company to be so opaque regarding participants



in an equity offering, which leads one to question why they have chosen the path of non-disclosure.

- 1) **In GGP's press release over the March 2008 equity financing, GGP's CEO emphasized his co-participation in the offering but did not disclose the low-cost loan from CGM mentioned above.**
- 2) **Bernie Freibaum ('BF'), GGP's CFO, and his wife have bought an unexplainably large amount of GGP stock personally since December 2001, at \$82.3 million.** Purchases of this size are unexplainable through a reasonable look at Bernie Freibaum's historical income streams, implying a material lack of disclosure of the vehicle or method through which he financed the purchases.

Below each of these points in are supported in further detail.

### **Background Information – Summary of Events and Facts Around the Time of the Claims Made Above**

The Bucksbaum family owns substantial amounts of GGP stock within a series of trusts, most of which collectively fall under MB Capital Partners III ('MBCP'). On April 1<sup>st</sup> 2008, this share ownership totaled 69M shares, or 22% of the outstanding stock.

In early August 2007, GGP had received an SEC comment inquiring about line items in GGP's latest 10K. GGP had also missed guidance in its latest earnings release. On August 2<sup>nd</sup> 2007, GGP's management amended a prior agreement with CGM so that it could borrow \$500 million and invest it directly in GGP's stock. This debt carried an interest rate of LIBOR plus 50 basis points, and was collateralized with GGP stock and a third party pledge on Matthew and John Bucksbaum's (co-founder and Chairman Emeritus of GGP, and CEO, respectively) share ownership, maturing in November 2009. The **loan had no recourse** to Matthew and John Bucksbaum's other assets.

At that time, the family trusts were divided into 2 divisions – Division A and Division B. The President and Trustee of the Division B entities was Matthew Bucksbaum ('MB'), while Division A represented trusts that did not have MB in an executive capacity. 15 days later, MB stepped down as Chairman of GGP.

By early 2008, articles began circulating regarding GGP's large debt load. In response to the allegations that GGP could end up like the recently defaulted Centro Properties Group, GGP put out a press release on Saturday, January 19<sup>th</sup> 2008 at 9pm, titled "General Growth Responds to Recent Statements in the Press and Blogs". Subsequent to this press release, GGP redoubled its efforts on de-leveraging itself<sup>3</sup>. On March 19<sup>th</sup> 2008, it put out a press release stating it had refinanced \$1.3 billion of mortgage notes and was in discussions on alternative methods of financing. On March 25<sup>th</sup> 2008, GGP announced an \$822 million equity offering with an unnamed counterparty, representing 7.7% of the then-current common shares outstanding. GGP announced that John Bucksbaum ('JB') would co-participate in the equity offering, contributing \$88 million of his own funds. Without mention in the press release, JB amended the terms to the expanded loan agreement with CGM. The March 2008 amendment allowed MBCP to borrow another \$88 million at LIBOR plus 50 basis points from CGM. The third party pledge of MB and JB's shares was terminated, even though the credit risk of the position presumably was going up. Even though 6.9% of the diluted outstanding stock was sold to a counterparty, there have been no subsequent filings revealing the identity of that counterparty. MB also removed the Division B entities from the trust collateralizing the CGM loans, MBCP, in a one-for-one stock swap for the same shares outside the trust.

### **1- Aggressive financial action – Borrowing against MBCP**

#### *Background Information on Credit Received from CGM*

MBCP originally received a loan from CGM to finance the exercise of warrants issued in connection with the financing of GGP's \$14 billion acquisition of The Rouse Company in November 2004<sup>4</sup>. MBCP received \$500 million through an amendment on August 2<sup>nd</sup> 2008. It then borrowed an additional \$88 million through an amendment on March 24<sup>th</sup> 2008. MBCP now has 69 million shares, as of April 1<sup>st</sup> 2008. Based on GGP's stock price at market close on April 21<sup>st</sup> 2008 of 39.69, this implies a market value of \$2.74 billion. Thus, MBCP now has a debt to capitalization ratio of 21.5%.

#### *Large Borrowings, Coupled with Large Acquisitions and Symbiotic Relationships have been Problematic for Large Companies in the Past!*

In the past, borrowing heavily with stockholdings as collateral has been a red flag for corporate malfeasance.

Bernard Ebbers, CEO of WorldCom, borrowed heavily against his stockholdings. He ended up borrowing over \$1 billion in mortgage notes from Travelers, a subsidiary of Citigroup, and \$183 million in margin loans from Bank of America to finance the purchase of 500,000 acres of timberland, a ranch, WorldCom stock, and other hard assets<sup>5</sup>. These loans were secured against the assets themselves, in addition to Ebbers' stockholdings<sup>6</sup>. Citigroup and Ebbers had a symbiotic relationship,

with Citigroup making large amounts of money off of fee income generated by deal flow at WorldCom. Off of the WorldCom / MCI deal alone, Citigroup earned \$32.5 million in advisory fees. Mr. Ebbers, in turn, was given preferential access to profitable IPO allotments. Both parties had a vested interest in keeping WorldCom's stock price up. When the tech bubble burst, Bank of America lost confidence in Ebbers' ability to make good on his margin debt. It issued a margin call which forced immediate repayment of the outstanding debt. Ebbers' position in the company was substantial enough that selling the shares necessary to pay back the loan would have inflicted additional damage to WorldCom's stock price, creating a negative feedback loop. This prompted him to instead take out corporate loans from WorldCom, which led to the creation of Section 402 of Sarbanes Oxley, prohibiting the use of corporate loans to executives.

Recommend this article... 

There are a few parallels between GGP and WorldCom.

- **GGP now, like WorldCom then, is a mature, well established company within its industry.** GGP is now the 2<sup>nd</sup> largest mall REIT in the US. WorldCom, after their takeover of MCI, was the 2<sup>nd</sup> largest US long distance company.
- **Both companies rose to prominence through acquisitions** – GGP's total assets went up by a factor of 3.5x, from \$7.3 billion in 2002 to \$25.4 billion in 2004. A \$14 billion acquisition in 2004 drove most of the growth. Similarly, WorldCom's \$37 billion takeover of MCI (a company 3 times WorldCom's size) was the largest takeover in history. Both companies clearly rose to prominence through acquisitions.
- **Both companies made major acquisitions near the peak of the market cycle of their respective markets** (ex. at the top of the bubble). WorldCom's major acquisition was made in 1997, 3 years before the tech market popped. GGP's major acquisition occurred in 2004, 2 years before the market popped.
- **Like Mr. Ebbers, the Bucksbaum family is well established at the helms of their respective companies.**
- **Both CEO's borrowed very heavily against their stock holdings.**
- **Citigroup has a symbiotic relationship with GGP now as it did then with WorldCom.** As can be seen on Citigroup's conflict of interest webpage, CGM has investment banking-related, securities-related, and non-banking / non-securities-related business with GGP<sup>7</sup>. CGM was 1 of the 2 Initial Purchasers associated with GGP's \$1.55 billion convertible offering on April 16 2007<sup>8</sup>. As noted in the S-3 GGP filed on August 15<sup>th</sup> 2007 when the convertibles were registered for resale, GGP noted that it had ongoing relationships with some of the convertible holders - some are lenders, and some provide commercial banking services on mortgage loans. It is fair to believe they were primarily referring to CGM, who was generating fees off of GGP's mortgage note deal flow, fees from offerings like the convertible offering done in April 2007, and interest income from mortgage notes it has directly extended to GGP.

Large personal borrowings and large acquisitions, coupled with a symbiotic relationship with a large financial institution skews the incentive structure of management teams. GGP suffers from this combination, as WorldCom did then.

## 2- Questionable financial action – MB distances himself from this financial arrangement

### *Background Information on the Bucksbaum Family*

The Bucksbaum family founded and has run General Growth, in various legal forms, since 1964. Martin and Matthew Bucksbaum were the original founders, forming the General Growth Properties REIT in 1964. In 1972, General Growth was listed on the NYSE. By 1984, General Growth fell into a financially disadvantageous position. It sold 19 malls to another company and liquidated the REIT, but continued to manage subsequently. A large acquisition in 1989 made General Growth the second largest mall manager in the US, and in 1993, General Growth did an IPO to form GGP, the legal entity we see today. In 1999, Matthew Bucksbaum stepped down as CEO and John Bucksbaum ('JB'), Matthew's son, replaced him. In November 2004, GGP completed the \$14 billion Rouse acquisition, which established GGP as the 2<sup>nd</sup> largest mall REIT. In August 2007, MB stepped down as Chairman of GGP, and was replaced by JB.

### *Background Information on MBCP*

MBCP is a general partnership with three primary general partners – (1) trusts for which the General Trust Company ('GTC') is the trustee, whose president is Marshall Eisenberg; (2) Matthew Bucksbaum Revocable Trust ('MBRT'), whose trustee is Matthew Bucksbaum ('MB'); (3) General Growth Companies ('GGC'), whose president is Matthew Bucksbaum. MBCP represents a collection of 21 individual trusts through which the Bucksbaum family has partial ownership in GGP.

#### *Details of the Separation of Interests within MBCP*

On August 1<sup>st</sup> 2007, the MB Capital Agreement was formed. Through this agreement, MB Capital was divided into 2 parts – Division A and Division B. Division A represented the trusts which had the General Trust Company as the trustee. Division B represented MBRT and GGC. It was agreed that Division A was entitled to 97.375% of the assets and liabilities as of August 1<sup>st</sup> 2007, and 100% of the assets and liabilities thereafter<sup>9</sup>. By removing any pecuniary interest in the assets associated with the August 2007 borrowings, MB's Division B entities took one step away from the lending agreements.

On March 1<sup>st</sup> 2008, in conjunction with the \$88 million of additional loans from CGM, a Redemption Agreement was formed. Through this agreement, MB removed the Division B assets from MBCP. Each share owned within MBCP was swapped for the same amount of shares outside of MBCP. This completed the separation of interest.

#### *Rationale Behind the Separation*

Given there was no substantive change in share ownership and no shares were monetized or taken out of a trust, its plausible and seems fair to believe the trusts were taken out because of another confounding factor. One reasonable confounding factor is that this financial arrangement exposes its trustees to legal liability and 'headline risk'. Another is the creation of credit risk within the family trusts due to excessive leverage and concentration. Yet another is a differential risk proclivity between the older Matthew Bucksbaum, who is now retired, and his younger, more ambitious son John. It seems fair to believe that some combination of all of these reasons may have played a part in this decision.

### **3- Questionable financial action – CGM engaging in non-arms length transactions with GGP**

#### *Original Loan Terms*

The original \$500 million loan that CGM extended to GGP in August 2007 was at an interest rate of LIBOR plus 50 basis points with expiry in November 2009. The loan was collateralized by MBCP's stockholdings, in addition to a third party pledge of the shareholdings of MB and JB.

Compared to the approximately 6% effective interest rate GGP itself is getting, the 3.4% rate MBCP is currently getting is quite favorable. One would think that if management could arrange this level of financing for concentrated collateral on a non-recourse basis for their trusts, it would be able to do so for the overall corporation, unless there are other factors involved.

#### *Revised Loan Terms*

MBCP had to revise the original loan agreement to increase its borrowing capacity. Yet the revised credit terms got weaker, not stronger - despite the fact that the overall credit market was much worse, the overall equity markets (collatera) got much worse, the overall CRE market was much worse (the assets behind the collateral), and the financial condition and headline risks to the lender (Citibank) was much worse off than when the first terms were negotiated. Something smells more than fishy! When MBCP went to borrow another \$88 million from CGM, the third party pledge of MB's and JB's shares was terminated. Also, as noted in a summary of the agreement, not even the entire stockholding of MBCP is held as collateral: "*Advances under the Loan Agreement for the Purchased Shares are collateralized by certain Common Stock held by M.B. Capital, including the 2007 Purchased Shares.*" [emphasis mine] Finally, 1.5 million shares were removed from MBCP altogether as a result of the above-mentioned redemption of Division B. Taken together, CGM (Citigroup Global Markets) has accepted a substantially worse deal at a time when it appears they should be much, much more stringent with their lending and terms.

Note further that the stock price performance, CRE outlook and macro environment over that time period had deteriorated, not improved, implying that this change of terms had little to do with a change in the fundamental outlook for GGP. The dividend-adjusted stock price at the time of the original loan on August 2<sup>nd</sup> 2007 was 45.27, but that the stock had dropped to 40.46 by the time of the March 2008 offering.

A 3.4% interest rate loan when the collateral is 1 stock, at a debt-to-capitalization of 21.5% off of a non-distressed stock price appears to be below-market. Given that the underlying stock has the highest leverage of all publicly traded mall REITs reinforces the perception that this is a below-market rate.

#### *Conclusion*

Based upon this data, it appears clear that this March 2008 transaction was not done at arm's length, for undisclosed reasons. This supports the view that there is a symbiotic relationship between CGM and GGP, prompting financial decisions

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### 1- Nondisclosure of required material information: Revised Loan Agreement, April 1<sup>st</sup> 2008

As is noted from the 13D/A: "This summary of the terms of the Loan Agreement is not intended to be complete and is qualified in its entirety by reference to the Loan Agreement attached as an exhibit to the Schedule 13D." There were 3 exhibits filed with the SEC - (1) MBCP's Amended Partnership Agreement, (2) MB's Redemption Agreement, and (3) the Purchase and Sale Agreement. I have discussed at length the former 2. The latter exhibit discloses the details driving MBCP's purchase of 2.445 million shares of GGP stock at \$36. The Loan Agreement is simply not disclosed, even though GGP clearly states it was supposed to be disclosed.

This agreement is important. Among other things, it fully discloses the revised terms between CGM and GGP, including the details of the revised collateral. This is material information which is supposed to be available to the public, but is not.

### 2- Nondisclosure of required material information: Opacity on offering counterparty

Based on news released to the public, the counterparties in GGP's equity offering bought 7% of the diluted shares outstanding. Yet for some reason, the buyers were not disclosed in the original press release. Subsequently, there were two mentions of the counterparties - (1) in the Q1 2008 10Q, GGP stated that one of the counterparties was FMR; (2) in the [Q1 2008 conference call](#), GGP stated that they did the deal with 'large existing shareholders', without naming names.

The equity offering as a whole diluted the existing shareholders by 8% at a discount to the then current price, so this was a very material transaction. I personally cannot think of any company which has been so intentionally indirect with an equity offering.

Two questions that come to mind are (1) why would GGP have such a policy of non-disclosure? (2) What might have happened? At this point it is hard to say exactly, but this does cause one to wonder.

### 3- Nondisclosure of required material information: Unmentioned borrowing to fund co-participation

In GGP's March 24<sup>th</sup> 2008 press release over their equity financing, GGP's CEO heavily emphasized his co-participation in the offering: "This offering includes 2,445,000 shares of Common Stock that are being sold to MB Capital Partners III, which is an affiliate of Matthew Bucksbaum, our Chairman Emeritus, and John Bucksbaum, the Chairman of the Board of Directors and our Chief Executive Officer."<sup>10</sup>

No mention was made of the borrowings used to fund the purchase until 1 week later, in a 13D filing for the General Trust Company. Once again, very important information is put in the footnotes, if at all.

### 4- Nondisclosure of required material information: Bernard Freibaum's large stock purchases

#### Background

\$82 million of stock were purchased by BF and his wife since December 2001. \$53.9 million were purchased since August 2006. Given a reasonable view of BF's historical income streams, it appears that BF has in all likelihood used large amounts of borrowed funds to purchase stock. If true, this presents two problems.

There has been no disclosure of any borrowings made by BF, even though this is material information.

For the same reason that borrowed funds skews the incentive structure for the CEO, it would also skew the incentive structure for the CFO.

#### Historical Insider Buying

BF's historical purchases can be found in the Form 4's that he has filed with the SEC.

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Filer Name	Title	Trans Type	Dollar Value	Shares Traded	Trans Date	Trans Price	Total Holdings	Owned
FREIBAUM, BERNARD	CFO	B	\$72,620	2,000	2/14/2008	\$36.31	47,000	I
FREIBAUM, BERNARD	CFO	B	\$1,019,430	28,200	2/14/2008	\$36.15	7,541,015	D
FREIBAUM, BERNARD	CFO	B	\$206,500	5,000	12/19/2007	\$41.30	45,000	I
FREIBAUM, BERNARD	CFO	B	\$412,300	10,000	12/19/2007	\$41.23	7,512,815	D
FREIBAUM, BERNARD	CFO	B	\$34,965	700	11/7/2007	\$49.95	7,502,815	D
FREIBAUM, BERNARD	CFO	B	\$2,236,780	45,500	9/17/2007	\$49.16	7,502,115	D
FREIBAUM, BERNARD	CFO	B	\$636,350	13,000	9/14/2007	\$48.95	7,456,615	D
FREIBAUM, BERNARD	CFO	B	\$1,355,750	29,000	8/6/2007	\$46.75	7,443,615	D
FREIBAUM, BERNARD	CFO	B	\$5,255,630	113,000	8/3/2007	\$46.51	7,414,615	D
FREIBAUM, BERNARD	CFO	B	\$1,092,985	23,500	8/3/2007	\$46.51	40,000	I
FREIBAUM, BERNARD	CFO	B	\$544,500	10,000	6/8/2007	\$54.45	7,301,137	D
FREIBAUM, BERNARD	CFO	B	\$1,368,750	25,000	6/7/2007	\$54.75	7,291,137	D
FREIBAUM, BERNARD	CFO	B	\$681,600	12,000	5/18/2007	\$56.80	7,266,137	D
FREIBAUM, BERNARD	CFO	B	\$579,500	10,000	5/17/2007	\$57.95	7,254,137	D
FREIBAUM, BERNARD	CFO	B	\$1,357,000	23,000	5/16/2007	\$59.00	7,244,137	D
FREIBAUM, BERNARD	CFO	B	\$3,274,752	53,300	5/11/2007	\$61.44	7,221,137	D
FREIBAUM, BERNARD	CFO	B	\$1,330,427	21,700	5/10/2007	\$61.31	7,167,837	D
FREIBAUM, BERNARD	CFO	B	\$15,476,406	249,700	5/4/2007	\$61.98	7,146,137	D
FREIBAUM, BERNARD	CFO	B	\$10,986,051	175,300	5/3/2007	\$62.67	6,896,437	D
FREIBAUM, BERNARD	CFO	B	\$1,603,500	25,000	3/16/2007	\$64.14	6,721,137	D
FREIBAUM, BERNARD	CFO	B	\$3,294,500	50,000	2/22/2007	\$65.89	6,336,137	D
FREIBAUM, BERNARD	CFO	B	\$1,090,000	25,000	8/11/2006	\$43.60	5,948,951	D
FREIBAUM, BERNARD	CFO	B	\$56,030	1,300	5/19/2006	\$43.10	5,903,434	D

FREIBAUM, BERNARD	CFO	B	\$417,145	9,500	5/18/2006	\$43.91	5,902,134	D
FREIBAUM, BERNARD	CFO	B	\$461,055	10,500	5/17/2006	\$43.91	5,892,634	D
FREIBAUM, BERNARD	CFO	B	\$1,898,000	40,000	3/8/2006	\$47.45	5,882,134	D
FREIBAUM, BERNARD	DIR	B	\$340,217	8,300	11/7/2005	\$40.99	5,582,134	D
FREIBAUM, BERNARD	DIR	B	\$888,181	21,700	11/4/2005	\$40.93	5,582,134	D
FREIBAUM, BERNARD	CFO	B	\$835,000	20,000	8/8/2005	\$41.75	5,448,708	D
FREIBAUM, BERNARD	CFO	B	\$806,520	28,200	6/14/2004	\$28.60	4,444,455	D
FREIBAUM, BERNARD	CFO	B	\$1,302,488	45,100	5/28/2004	\$28.88	4,416,255	D
FREIBAUM, BERNARD	CFO	B	\$1,752,750	61,500	5/27/2004	\$28.50	4,416,255	D
FREIBAUM, BERNARD	CFO	B	\$267,100	10,000	5/5/2004	\$26.71	4,309,655	D
FREIBAUM, BERNARD	CFO	B	\$268,500	10,000	5/3/2004	\$26.85	4,299,655	D
FREIBAUM, BERNARD	CFO	B	\$993,000	30,000	3/16/2004	\$33.10	4,229,655	D
FREIBAUM, BERNARD	CFO	B	\$3,862,500	150,000	12/16/2003	\$25.75	4,001,655	D
FREIBAUM, BERNARD	CFO	B	\$468,175	6,100	11/21/2003	\$76.75	1,283,885	D
FREIBAUM, BERNARD	CFO	PB	\$2,018,250	30,000	8/29/2003	\$67.28	1,244,602	D
FREIBAUM, BERNARD	CFO	B	\$197,850	3,000	8/4/2003	\$65.95	1,214,602	D
FREIBAUM, BERNARD	EX VP	B	\$11,574,750	305,000	12/18/2001	\$37.95	932,294	D
FREIBAUM, BERNARD	EX VP	B	\$21,229	695	6/29/2001	\$30.55	547,294	D
FREIBAUM, BERNARD	EX VP	B	\$21,229	894	6/30/2000	\$23.75	451,599	D

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### Historical Income Streams

We can get a fairly reasonable view of BF's earnings by looking at his past jobs and his compensation history at GGP.

### Compensation at GGP



All compensation back to 1995 is publicly available in GGP's proxy statements. It is reproduced below:

<u>Year</u>	<u>Base</u>	<u>Bonus</u>	<u>Other Cash</u>	<u>Total</u>
2007	1,100,000	1,000,000	559,895	2,659,895
2006	1,000,000	1,000,000	551,696	2,551,696
2005	1,000,000	0	536,001	1,536,001
2004	900,000	0	464,672	1,364,672
2003	850,000	0	350,814	1,200,814
2002	800,000	0	352,860	1,152,860
2001	750,000	0	361,494	1,111,494
2000	500,000	0	328,968	828,968
1999	450,000	0	361,363	811,363
1998	450,000	0	315,256	765,256
1997	400,000	0	200,000	600,000
1996	300,000	0	200,000	500,000
1995	225,000	0	200,000	425,000

#### *Dividends at GGP*

Based on BF's stock ownership records, we can also approximate the dividend payments he has received over the past 8 years. These figures are presented below:

	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
GGP Dividends/share	0.69	0.8	0.92	0.78	1.26	1.49	1.68	1.85
BF Shares owned (k)	452	499	932	1,778	4,391	4,980	5,921	7,259
<b>Dividend Inflow (\$k)</b>	<b>312</b>	<b>400</b>	<b>858</b>	<b>1,387</b>	<b>5,532</b>	<b>7,420</b>	<b>9,947</b>	<b>13,430</b>

For the last 4 years, the CFO's dividend income from his financial transactions outside running the company has easily outstripped the income received from direct corporate compensation. Earlier in this missive, I claimed that GGP can't afford its current dividend! The continuation of the dividend despite the fact that it must be financed through internal sources can now be sourced to a potential conflict of interest posed by the compensatory income streams of the CFO. Do we do what's best for the company or do what's best for my brokerage accounts.

#### *Prior Jobs*

We also know BF's prior jobs, dating back to when he was at the beginning of his career.

- From age 40 to the present, BF has been at GGP as the CFO.
- From age 39 to age 40, BF was at Ernst and Young as a consultant.
- From age 32 to age 39, BF was the CFO and General Counsel of Stein and Company, a real estate development and service company.
- From BF's early 20's to age 32, BF was in various positions at Ernst and Young, American Invesco Corporation and Coopers and Lybrand LLP.

While serving as the CFO and General Counsel of Stein and Company, BF received an equity stake in the company. This, plus his cash compensation at each of these jobs, can be conservatively estimated. A conservative assumption is that his equity stake in Stein and Company was sold for \$5 million after-tax.

### *Summing up BF's Compensation*

Based on the above information, in conjunction with conservative assumptions on his pay at earlier firms, his tax rate, and his average consumption per year, it is extremely unlikely that BF has generated more than \$32 million in post-tax, post-consumption income. And yet he appears to have bought \$82 million worth of stock at an average cost of 47.3. There is a \$50 million difference between these two figures. While individual assumptions may very well vary, this differential is inexplicably large.

\$50 million is substantial relative to his cash on hand. It is also very large relative to his total net worth, even when factoring in the value of his current share ownership in GGP. It implies that he has borrowed at least 20% of his net worth, and probably more, to buy GGP stock. BF will be in dire financial straits if anything was to happen to GGP's stock, and he is already underwater on his purchases. Thus, even if there is no nefarious plans underfoot, the CFO is under immense pressure to maintain the auspices of a healthy stock, even at the expense of true shareholder value. If there is a true lack of disclosure regarding funding sources, well then that is a totally different story with a plethora of additional and probably negative consequences.

### *Lack of Disclosure is a Problem*

It is clearly very material information for the public shareholders if BF has indeed borrowed 20% of his liquid net worth to buy GGP stock. Yet no disclosures have been made. It is also unknown how BF has structured his ownership of GGP stock – whether it is in a trust, or in some other vehicle. That information would be helpful to better understand the recourse nature of any debt obligations BF may have. While the Bucksbaums have disclosed both the vehicle through which they own their stock, as well as the leverage they have employed (unless they have omitted other loans), BF has done neither. This is a very material lack of disclosure which the investing public deserves to know more about.

### **References:**

SEC comments are listed below:

Steven Jacobs: <http://sec.gov/Archives/edgar/data/895648/000000000006031014/filename1.pdf>

Linda van Doom: <http://sec.gov/Archives/edgar/data/895648/000095013707000165/filename1.htm>

Robert Telewicz: <http://sec.gov/Archives/edgar/data/895648/000000000007031093/filename1.pdf>

Pam Howell: <http://www.sec.gov/Archives/edgar/data/895648/000000000007041058/filename1.pdf>

'Uneasy Money – What's Wrong?' Wall Street Journal, August 1<sup>st</sup> 2002: <http://www.pulitzer.org/year/2003/explanatory-reporting/works/wsj2.html>

'General Growth Shops for Partners' – Wall Street Journal, April 16 2008: <http://online.wsj.com/article/SB120831674586718783.html>. "We're telling the market that we're going to reduce our leverage."

Reference Link from 13D/A filed 4/1/2008: <http://yahoo.brand.edgar-online.com/displayfilinginfo.aspx?FilingID=5841123-1487-50552&type=sect&TabIndex=2&companyid=5306&ppu=%252fdefault.aspx%253fcik%253d895648>

Timeline of events at WorldCom: <http://www.pbs.org/wgbh/pages/frontline/shows/wallstreet/wcom/cron.html>

Description of problem loan from Bank of America: <http://www.pbs.org/wgbh/pages/frontline/shows/wallstreet/wcom/players.html>

Citi Investment Research Disclosures – General Growth Properties: <https://www.citigroupgeo.com/geopublic/Disclosures/GGP.html>

*"On April 16, 2007, GGPLP issued \$1.55 billion aggregate principal amount of Notes pursuant to a purchase agreement (the "Purchase Agreement") with Citigroup Global Markets Inc. and Morgan Stanley & Co. Incorporated (collectively, the "Initial Purchasers") under which GGPLP agreed to sell the \$1.55 billion principal amount of Notes (plus up to an additional \$200 million principal amount of Notes at the option of the Initial Purchasers) in private offerings exempt from registration in reliance on Section 4(2) of the Securities Act. The Purchase Agreement contemplates the resale by the Initial Purchasers of the Notes to qualified institutional buyers in reliance on Rule 144A under the Securities Act, at a price equal to 98% of the principal amount of the Notes." – 8K, filed 4/17/2007 [emphasis mine]*



"M.B. Capital invests in the Common Stock and Units pursuant to the Second Amended and Restated Agreement of Partnership of M.B. Capital Partners III dated as of August 1, 2007 (the "M.B. Capital Agreement"). The M.B. Capital Agreement provides for two divisions of M.B. Capital. Division A, which consists of trusts of which GTC is the trustee, is entitled to 97.375% of the assets and liabilities of M.B. Capital as of August 1, 2007 and 100% of the assets and related liabilities acquired by M.B. Capital from and after August 1, 2007. Division B, which consists of the Matthew Bucksbaum Revocable Trust and GGC is, entitled to 2.625% of all assets and liabilities of M.B. Capital as of August 1, 2007." - 13D, filed 8/22/2007 [emphasis mine]

3). "General Growth Prices Offering of Common Stock", March 24<sup>th</sup> 2008. Link: <http://www.ggp.com/Company/Pressreleases.aspx?prid=410>

The reported figure is \$1105

The reported figure is \$2816

The reported figure is \$2067

The reported figure is \$3540


The reported figure is \$3403

Address article on the site boombustblog.com:  
<http://boombustblog.com/index.php/20080615425/GGP-and-the-type-of-investigative-analysis-you-will-not-get-from-your-brokerage-house.html>

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## GGP and the type of investigative analysis you will not get from your brokerage house

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...  
written by James Perry, June 15, 2008   
Thanks for the update. This is a brilliant article - possibly your best yet (which is really saying something!) given the level of detailed explanation.  
  
Like you, I was really surprised that they paid down the revolver. It makes no sense unless, as you said, the banks are becoming much less willing to lend to them.  
  
Whatever's going on, it doesn't look good.

 + - +1 !

...  
written by Reggie Middleton, June 15, 2008   
Thanks but this was a collaborative effort and much of the content came from somewhere else. Ryland has done the same thing, swapped, long term debt for short term, and similarly their stock price is floating on water as well. hmmm!

 + - +0 !

...  
written by a b, June 17, 2008   
Independent Nashville researcher David Trainer says GGP, HIW "vastly overpriced".  
--Marketwatch.

 + - +0 !

ggp

written by daan everts, June 17, 2008

During NAREIT the company mentioned they are issuing a private CMBS that could generate between 1.5bn - 3bn cash,, in order to meet their upcoming obligations. The deal was originally supposed to be for less, so aparantly they are seeing demand for their assets. I am concerned about that, otherwise I like it in a pair trade in which the long is DDR. thanks for the research.



...

written by Donald Ruffkin, June 24, 2008

No announcement "at or near the end of June"?

"Just as we did last quarter, \*at or near the end of June\*, we expect to provide you with a summary of all the debt and/or other capital transactions that were completed or will close during the second quarter of 2008." from the Q1 08 CC: <http://seekingalpha.com/articl...hoo&page=2>

Or earlier?

"The Company will separately announce major financing transactions, if any, as they occur." from <http://biz.yahoo.com/bw/080319....html?.v=1>

GGP has talked a big game on its financing options thus far, with no actual results. I think they are already undperforming relative to their claims thus far, but in another few days, they will miss their financing guideline provided in the Q1 08 call.

In the meanwhile, the news on Steve & Barry doesn't bode well for the leasing environment. It's looking for rescue funding of \$30M, and has hired GS and a bankruptcy lawyer. Yikes. They have 270 stores right now. The malls were paying S&B to open stores that would have been "barely profitable": "Much of the company's earnings came in the form of one-time, up-front payments from mall owners. Those payments were designed to lure the retailer to take over vacated sites, say several people familiar with the company."

The malls are paying a marginal player like S&B with great one time payments just to keep their stores full. This is the sort of thing you typically see before a downturn, as attempts to throttle demand artificially on the margin start to backfire.

<http://online.wsj.com/article/SB121401142593693967.html>



...

written by Reggie Middleton, June 24, 2008

You know, that I know, that you know there probably will not be any announcement. The commercial RE finance arena is getting rougher by the month, and GGP's situation is ornery for anyone who bother's to take a real look at what is going on.

I am curious to see what will come of it. I'm sure you've noticed their share price is starting to break.



Just another illustration of credit drying up....

written by Jason Bohmann, June 24, 2008

I have been approached by two real estate development groups locally to invest and find private equity for 4 deals in the Houston area. Both of the groups know that my clients have money and an appetite for these types of deals.....

I find it funny though because I've been wondering how long it would be before these groups come (are forced) to find alternative pools of capital.

Both sets of developers are very successful and have great 5 to 10 year track records, but they have both stated that bank financing is completely dried up for r.e. projects..... even here in Houston where things are slowing, but still booming.



Secondly, I heard today that Amegy (Zions owned) won't do jumbo loans because they can't get rid of them. They told this to a large corporate client for his personal home---he has big dollars on deposit.

I can only imagine how it is in regions where thinks are in a meltdown.

Also, just for grins, run a mortgage quote request at bankrate.com

If you've done this previously (3 or 4 years ago) you would have seen 50 to 70 offers even if you put 5% down. I recently ran one on a 30 YR, 20% down, \$300K loan and a total of 3 offers for quotes came in ..... there was a 75bps spread between them (BAC was the highest at 7%).

If you think the housing market is going to turn around soon, you might want to tell the banks that they have to lend so people can buy.....



...  
written by dale brunton, June 29, 2008  
Bernard Freibaum - Executive Vice President and Chief Financial Officer



Increase in land value in Las Vegas and Houston used to create write-ups to offset write-downs in other markets. How can Las Vegas property be increasing in value? Projected cash flow from their strip property must be more than offsetting the suburban properties. It's not what you project for the next couple year that matters, its the next 28 that count. Long term thinking for a company in need of shorter-term cash.

The valuation of land that's being developed over 30 years is very different process than valuing unsold homes for example, if you're a builder or even lots owned by a builder who has obviously got them in inventory. So the valuation process involves a long-term cash flow model with numerous assumptions, and this is what we use both for this annual evaluation as well as a re-valuation and effect every quarter to determine how much of our cost is attributable to land that it sold for booking profit. We did have a write down in Columbia and Fairwood fairly significant one but the total holdings there and the book value attributable to that land is low. So, the land in Vegas and Huston did make up for the reduction in the value of Columbia and Fairwood. Huston, the Woodlands and Bridgeland are two of the best projects in the city.

The city remains very strong, very strong employment, the energy economy there is keeping things well balanced. There never was a bubble there, and in Las Vegas it's difficult to explain this, but never the less because of the limited availability of land in the valley and in particular in Summerlin. I know, Summerlin is just a section of the valley in the west, but if you look at the Summerlin submarket there isn't any additional land available and our company owns literally all the undeveloped land in Summerlin. The rest is owned by the Bureau of Land Management.

And, the way the model works, if you do a 20 or 30 year long-term projection and you consider the net price of value of all that activity, you get a number and despite the soft current environment for housing including in Summerlin because builders have excess inventory. Yes, it has an impact on the land valuation in Summerlin, because the shorter-term cash flow has been reduced because of the lack of demand for land, but when you factor in the intermediate in the longer-term, and also I mentioned last quarter that after adjusting the estimate of salable acres during the last couple of quarters there, which hadn't been really visited for 5 or 10 years because of the nature of the way the land is developed in sections, would determine that we had a greater number of salable acres as well. So, that's another factor that when you take it into consideration despite the write down in Columbian Fairwood, the overall valuation of the entire portfolio remains where it was at the end of last year.



...  
written by dale brunton, June 29, 2008  
Please note first paragraph of above comment attributed to me. The rest is from 2008 1st Qtr conf call Q&A...



...

written by Reggie Middleton, June 30, 2008

@dbruton:

I noticed this in their call as well. I am appalled that the analysts present did not take them to task on this. They have literally created a reality in which they can generate revenues and profits. Since not one can accurately predict what will happen 28 years into the future, and they have failed to give us a scenario for 29 months into the future, we should expect the worst.



...  
written by a b, July 04, 2008

Interesting story about delay in CA project <http://www.sacbee.com/elkgrove/story/1037325.html>  
GGP denies problems leasing... was scheduled to open 2008, now fall 2009...



...  
written by a b, July 04, 2008

Birmingham ghost mall  
<http://georgiaretailmemories.b...mall.html>  
yikes



...  
written by a b, July 04, 2008

<http://georgiaretailmemories.b...-mall.html>



Bogus, biased analysis of exec stock purchases  
written by Socrates, July 08, 2008

Your analysis of the CFO's stock purchase is laughably inept. Have you even considered how execs make these purchases in the real world - with loans/on margin, not with 100% cash!



Stock market 101 tells you that you don't need \$10M to buy \$10M in stock. You combine that with the fact that the average purchase price on the first \$20M of stock was at an average price



...  
written by Donald Ruffkin, July 09, 2008

That was the point - he borrowed a ton of money to buy stock and are now in over their heads. Leverage doesn't change how large GGP stock is now as a percentage of the CFO's net worth.



Quote:

"\$50 million is substantial relative to his cash on hand. It is also very large relative to his total net worth, even when factoring in the value of his current share ownership in GGP. It implies that he has borrowed at least 20% of his net worth, and probably more, to buy GGP stock. BF will be in dire financial straits if anything was to happen to GGP's stock, and he is already underwater on his purchases. Thus, even if there is no nefarious plans underfoot, the CFO is under immense pressure to maintain the auspices of a healthy stock, even at the expense of true shareholder value. If there is a true lack of disclosure regarding funding sources, well then that is a totally different story with a plethora of additional and probably negative consequences."

I would take this a step further and once again draw a parallel to our friends at Centro:  
<http://www.theaustralian.news....43,00.html>

"Andrew Scott, the former chief executive of the Group, spruiked margin loans to his senior staff and heavily promoted the

benefits of the stock to employees.

Six to eight senior executives have had to sell or are selling their investment properties after the margin loans were called in when Centro's share price plummeted 76 per cent on December 17, according to a former Centro executive. "

The "point" is that he has completely shackled himself and his family to the performance of this stock, which creates the incentive to keep the stock up however possible.



Write comment

Recommend this article... 

Last Updated ( Wednesday, 03 December 2008 )

# **Exhibit 4**

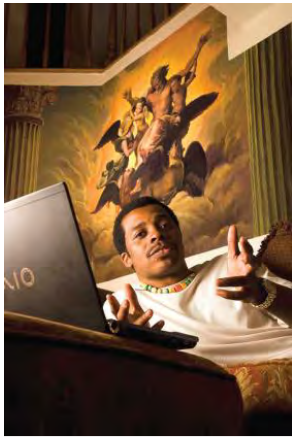
# CRAIN'S NEW YORK BUSINESS

August 29, 2010 12:00 AM

## And a happy Labor Day to you, too!

In the Markets

Aaron Elstein



Buck Ennis

Überbearish blogger  
sees more pain ahead.

The stubbornly dismal economy means at least one thing: an extended stay in the spotlight for a handful of star analysts whose defining characteristic is their extraordinary bearishness. And, of course, their accuracy.

There's **Albert Edwards**, a London-based analyst from France's Société Générale, who believes the Standard & Poor's 500 will sink to 450, a sickening 57% drop from its current level. There's **David Rosenberg**, chief economist at Toronto money manager Gluskin Sheff, who warns that deflation is going to pull down the U.S. economy for years.

And then there's the New York star of this gloomy show: **Reggie Middleton**, a Brooklyn entrepreneur who turned to analyzing global markets after a stint buying and renovating apartments in Fort Greene and Clinton Hill. (See "Prophet of doom," April 19.)

Bad as things may be for the economy, Mr. Middleton warns that they're poised to get much worse. Prices of real estate, stocks and bonds are all headed for serious falls, he says, while commodity prices are likely to rise. Wages will decrease, unemployment will increase. Fun, eh?

The culprit, Mr. Middleton says, is Washington. The bank bailouts, nationalization of Fannie Mae and Freddie Mac, and other interventions during two presidencies prevented the market from bottoming out in 2009 like it should have, he says. Now that the economy is weakening again and the heavily indebted U.S. government has fewer rescue options, the reckoning is coming. Markets of all kinds in the United States and Europe will get hit—hard.

"In my opinion, the amount of risk in the system is even higher than in 2008," he says, adding this rare dash of hope: "2013 might be a good time to start taking a look at buying assets again."



Mr. Middleton has been startlingly accurate in the past. He forecast the collapse of the housing market in 2007, and in early 2008 warned of the demise of Bear Stearns weeks before it happened. Earlier this year, he said that Ireland's finances were in terrible shape long before Standard & Poor's got around to downgrading that nation's credit rating.

A few-hundred investment pros pay Mr. Middleton big sums for his insights, and he's looking to capitalize on his moment. He plans to approach private equity investors in the coming weeks for funding so he can hire more staff and build a full-fledged research and media business.

In the meantime, he continues to write colorfully about the markets on his **BoomBustBlog**.

An entry last week began: "I know, I shouldn't say 'I told you so,' but those perma-bullish, green-shoots smoking pundits who have been saying for three years that we are nearing the bottom in real estate either have an agenda or really don't know much about real estate cycles."

He added: "It really gets under [a] brother's skin."

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11

THE NUMBER OF DAYS that the Dow Jones industrial average has closed below 10,000 this year, according to Bloomberg data.

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**Source URL:** <https://www.crainsnewyork.com/article/20100829/SUB/308299988/and-a-happy-labor-day-to-you-too>

# **Exhibit 5**



## U.S. COMMODITY FUTURES TRADING COMMISSION

Three Lafayette Centre  
 1155 21st Street, NW, Washington, DC 20581  
 Telephone: (202) 418-5000  
 Facsimile: (202) 418-5521  
 www.cftc.gov

Division of Market Oversight

November 15, 2013

To: All CFTC Registered Swap Execution Facilities and Applicants for Registration as a Swap Execution Facility

### **Division of Market Oversight Guidance on Application of Certain Commission Regulations to Swap Execution Facilities**

The Division of Market Oversight (“Division”) of the Commodity Futures Trading Commission (“Commission”) is issuing guidance (“Guidance”) to swap execution facilities (“SEFs”) and applicants for registration as a SEF concerning certain Commission regulations.<sup>1</sup> There are six areas addressed by this Guidance, which include: registration requirements under Commission regulation 37.3; consent to the jurisdiction of a SEF; a SEF’s use of proprietary data or personal information collected by the SEF from its market participants;<sup>2</sup> and member guarantees.<sup>3</sup> In addition, although the Division addressed the types of actions a SEF may take during an emergency in its September 30 Guidance, this Guidance once again reiterates the requirements for taking emergency actions.<sup>4</sup> Finally, this Guidance clarifies certain SEF reporting obligations.

#### **1. Registration Requirement under Commission Regulation 37.3**

Section 5h(a)(1) of the Commodity Exchange Act (“CEA”) provides that no person may operate a facility for the trading or processing of swaps unless the facility is registered as a SEF or designated contract market (“DCM”).<sup>5</sup> Commission regulation 37.3(a)(1) requires the registration as a SEF or DCM of any person operating a facility that offers a trading system or platform on which more than one market participant has the ability to execute or trade swaps

<sup>1</sup> See “Division of Market Oversight Guidance on Application of Certain Commission Regulations to Swap Execution Facilities” (Sep. 30, 2013) [hereinafter “September 30 Guidance”].

<sup>2</sup> Market participant means a person that directly or indirectly effects transactions on a SEF. This includes persons with trading privileges on the SEF and persons whose trades are intermediated. See “Core Principles and Other Requirements for Swap Execution Facilities,” 78 Fed. Reg. 33,476 at 33,506 (June 4, 2013).

<sup>3</sup> Member means an individual, association, partnership, corporation, or trust (i) owning or holding membership in, or admitted to membership representation on, a SEF; or (ii) having trading privileges on a SEF. See Commission regulation 1.3(q); 17 C.F.R. 1.3(q).

<sup>4</sup> See September 30 Guidance at 3.

<sup>5</sup> A foreign board of trade (“FBOT”) registered with the Commission pursuant to CEA Section 4(b)(1) and Part 48 of the Commission’s regulations satisfies this requirement. See, e.g., “Interpretive Guidance and Policy Statement Regarding Compliance with Certain Swap Regulations,” 78 Fed. Reg. 45291, 45352 (July 26, 2013) (noting that a “registered FBOT is analogous to a DCM and is subject to comprehensive supervision and regulation in its home country that is comparable to that exercised over a DCM by the Commission.”).

with more than one other market participant on the system or platform (a “multilateral swaps trading platform”).<sup>6</sup>

In the context of CEA Section 5h(a)(1) and Commission regulation 37.3(a)(1), the Division expects that a multilateral swaps trading platform that is itself a U.S. person or is located or operating in the United States will register as a SEF or DCM. The Division believes that, pursuant to the Dodd-Frank Wall Street Reform and Consumer Protection Act, the Commission has a strong supervisory interest in multilateral swaps trading activities that occur within the United States, regardless of the status of persons trading or executing swaps on the platform.

CEA section 2(i) provides that the swap provisions of the CEA, including any rules or regulations thereto, shall not apply to activities outside the United States unless those activities “have a direct and significant connection with activities in, or effect on, commerce of the United States.”<sup>7</sup> Accordingly, the SEF/DCM registration requirement of CEA section 5h(a)(1) and Commission regulation 37.3(a)(1) may apply to a multilateral swaps trading platform that is located outside the United States where the trading or executing of swaps on or through the platform creates a “direct and significant” connection to activities in, or effect on, commerce of the United States.

The Division expects that a multilateral swaps trading platform located outside the United States that provides U.S. persons or persons located in the U.S. (including personnel and agents of non-U.S. persons located in the United States) (“U.S.-located persons”) with the ability to trade or execute swaps on or pursuant to the rules of the platform, either directly or indirectly through an intermediary, will register as a SEF or DCM.<sup>8</sup> The Division believes that U.S. persons and U.S.-located persons generally comprise those persons whose activities have the requisite “direct and significant” connection with activities in, or effect on, commerce of the United States within the meaning of CEA section 2(i). The Division further believes that a multilateral swaps trading platform’s provision of the ability to trade or execute swaps on or through the platform to U.S. persons or U.S.-located persons may create the requisite connection under CEA section 2(i) for purposes of the SEF/DCM registration requirement.<sup>9</sup>

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<sup>6</sup> See Commission regulation 37.3(a)(1); 17 C.F.R. 37.3(a)(1).

<sup>7</sup> 7 U.S.C. § 2(i)

<sup>8</sup> In the Division’s view, factors that would be relevant in evaluating the SEF/DCM registration requirement of CEA Section 5h(a)(1) and Commission regulation 37.3(a)(1) as they apply to multilateral swaps trading platforms located outside the United States, would generally include, but not be limited to: (1) whether a multilateral swaps trading platform directly solicits or markets its services to U.S. persons or U.S.-located persons; or (2) whether a significant portion of the market participants that a multilateral swaps trading platform permits to effect transactions are U.S. persons or U.S.-located persons. Market participant means a person that directly or indirectly effects transactions on a SEF. This includes persons with trading privileges on the SEF and persons whose trades are intermediated. See “Core Principles and Other Requirements for Swap Execution Facilities,” 78 Fed. Reg. 33476, 33506 (June 4, 2013).

<sup>9</sup> See Note 8, *supra*.

The Division notes that foreign-based platforms already registered with their home country may register as a SEF or DCM. The Division expects to work with such platforms that apply for registration and with home country regulators to determine whether alternative compliance arrangements are appropriate, in recognition of comparable and comprehensive home country regulation.

The Division reminds swaps market participants, temporarily registered SEFs and SEF applicants of the CEA section 2(h)(8) trade execution requirement which requires a swap transaction subject to the clearing requirement to be executed on a DCM or a SEF, unless no DCM or SEF “makes the swap available to trade” or the swap transaction is subject to the clearing exception under CEA section 2(h)(7) (the end-user exception).<sup>10</sup>

The Division urges SEF applicants, temporarily registered SEFs and other multilateral swaps trading platforms to closely assess their operations in light of the SEF/DCM registration requirements of Commission regulation 37.3(a)(1). The Division continues to assess the manner in which temporarily registered SEFs and other multilateral swaps platforms, whether associated with temporarily registered SEFs or not, offer trading or execution services to variously situated persons.

## 2. Consent to SEF Jurisdiction

The Division understands that certain clearing members are not consenting to the jurisdiction of the SEF. Commission regulation 37.700 requires that SEFs “establish and enforce rules and procedures for ensuring the financial integrity of swaps entered on or through the facilities of the [SEF], *including the clearance and settlement* of the swaps pursuant to section 2(h)(1) of the Act.”<sup>11</sup> To that end, the Division expects a clearing member that guarantees swaps intended to be cleared on a SEF to consent to the jurisdiction of the SEF.

## 3. Conditioning Access on Consent to Use Proprietary Data or Personal Information

The Division has learned that some SEF participation agreements or rulebooks contain a requirement that in order to access the SEF, an eligible contract participant (“ECP”) must consent to the SEF using data it collects from the ECP, including market data, propriety data, and personal data, for business or marketing purposes. These provisions are inconsistent with Commission regulation 37.7, which states that a SEF “shall not use for business or marketing purposes any proprietary data or personal information it collects or receives, from or on behalf of

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<sup>10</sup> See also Division of Swap Dealer and Intermediary Oversight Advisory “Applicability of Transaction-Level Requirements to Activity in the United States,” CFTC Letter No. 13-69 (Nov. 14, 2013) (“DSIO believes the Commission intended substituted compliance to be available, or Transaction-Level Requirements to not apply, where the activities of the non-U.S. SD take place outside the United States. In this regard, DSIO believes that, pursuant to the Dodd-Frank Wall Street Reform and Consumer Protection Act, the Commission has a strong supervisory interest in swap dealing activities that occur within the United States, regardless of the status of the counterparties.”).

<sup>11</sup> Commission regulation 37.700; 17 C.F.R. 37.700 (emphasis added).

any person, for the purpose of fulfilling its regulatory obligations” unless the SEF receives consent to use such data.”<sup>12</sup> Further, a “[SEF] shall not condition access to its market(s) or market services on a person’s consent to the swap execution facility’s use of proprietary data or personal information for business or marketing purposes.”<sup>13</sup> These provisions inappropriately condition access to the SEF based upon consent to use data or information provided to the SEF.

#### 4. Member Guarantees

The Division has received questions as to whether a SEF may require a member to guarantee trades executed by the member for its own account or for the account of other market participants. With respect to cleared trades, the Division notes that a guarantee from a clearing member is required to satisfy Commission regulation 37.700. An additional guarantee from a member is not required.

#### 5. Emergency Actions

The Division notes that Commission regulation 37.800 requires a SEF to adopt rules that may be exercised in an emergency “in consultation or cooperation with the Commission, as is necessary and appropriate....”<sup>14</sup> Emergency is defined in Commission regulation 40.1(h).<sup>15</sup> The Division notes that some SEFs are assuming greater discretion to take action by defining emergency situations more broadly. For example, some SEFs reserve the right to suspend trading privileges under their emergency authority if, in their sole discretion, such action is in the best interest of the SEF. As stated in the September 30 Guidance,<sup>16</sup> “such emergency action must be carried out pursuant to Core Principle 8 and part 40 of the Commission’s regulations.”<sup>17</sup> Accordingly, the definition of “emergency” set forth in a SEF’s rulebook must be consistent with, and not broader than, the Commission’s definition.

#### 6. SEF Reporting Obligations

The Division emphasizes that SEFs have reporting obligations under parts 43 and 45 for all assets classes, subject to any time-limited relief provided by the Division.<sup>18</sup> Further, when a SEF reports swap data, it must report the legal entity identifier (“LEI”) of the SEF in the required “execution venue” field.

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<sup>12</sup> See Commission regulation 37.7; 17 C.F.R. 37.7.

<sup>13</sup> *Id.*

<sup>14</sup> Commission regulation 37.800; 17 C.F.R. 37.800.

<sup>15</sup> Commission regulation 40.1; 17 C.F.R. 40.1.

<sup>16</sup> See September 30 Guidance at 2-3.

<sup>17</sup> *Id.* at 3.

<sup>18</sup> See “Extension of Certain Time-Limited No-Action Relief Regarding Swap Execution Facilities Provided by CFTC No-Action Letter Nos. 13-55 (amended), 13-56 and 13-58 for Swaps in the Foreign Exchange Asset Class,” CFTC Letter No. 13-68 (Nov. 1, 2013).

Page 5

Finally, the Division reminds SEFs that they may make changes to their rulebooks at any time, pursuant to either the certification or approval procedures set forth in part 40 of the Commission's regulations, provided that such rule changes are not inconsistent with the Act or the Commission's regulations.

This Guidance supersedes any previous guidance issued by the Division on these topics to the extent that it is inconsistent with such guidance. This Guidance, and the positions taken herein, represent the views of the Division only, and do not necessarily represent the views of the Commission or of any other office or division of the Commission. If you have any questions concerning this Guidance, please contact Nancy Markowitz, Deputy Director, Division of Market Oversight, at (202) 418-5453 or [nmarkowitz@cftc.gov](mailto:nmarkowitz@cftc.gov), Jonathan Lave, Associate Director, Division of Market Oversight, at (202) 418-5983, [jlave@cftc.gov](mailto:jlave@cftc.gov), or Nhan Nguyen, Special Counsel, Division of Market Oversight, at (202) 418-5932 or [nnguyen@cftc.gov](mailto:nnguyen@cftc.gov).

Sincerely,

  
Vincent A. McGonagle  
Director  
Division of Market Oversight

# **Exhibit 6**



# Veritaseum

The logo graphic consists of a stylized orange line that forms a series of connected, rounded rectangular shapes, resembling a chain or a digital signal. To the right of this graphic is the text "TM" in a small, black, sans-serif font.

Smart Contract-driven,  
Peer-to-Peer Capital  
Markets

The next evolutionary step  
for Wall Street

*Purchase Access to the Peer-to-Peer Economy!*



# Table of Contents

(Please, click any link to navigate)

- [Understand Pathogenic Finance, Threat to Status Quo](#)
- [Guaranteeing trust in all transactions](#)
- [FIRE \(Finance, Insurance, Real Estate\) industries are structurally vulnerable to the DAO ZeroCost solution that we're creating](#)
- [The Veritaseum Platform in Action](#)
- [The Veritaseum Advantage](#): Early patent filings predating big banks/tech (China, Japan, US, UK & EU), own our IP | Established codebase to build on
- [Creative Destruction Through Veritaseum's DAOs](#)
- [\\$1.635 quadrillion addressable market](#) - disintermediate all money middlemen
- [What are Veritas tokens?](#) Autonomy v. Heteronomy
- [We're a software provider, not a financial entity](#), yet obviate the need for banks, brokers, exchanges & insurers - disintermediating the FIRE sector!
- [Under the Hood](#) | [Meet the Team](#) | [Use of Funds](#) (labor) | [Project Roadmap](#) | [Tradeable Expertise](#)
- [Proliferation of Use Cases](#) | [Token & Offering Particulars](#) | [Want more info?](#) Click a video |
- [Let's Change the Future of Money Together](#)

We are porting our Veritaseum platform over to Ethereum and are looking to launch an Ethereum based token that allows liquid and P2P direct OTC digital asset markets to be spun from autonomous layman friendly smart contracts

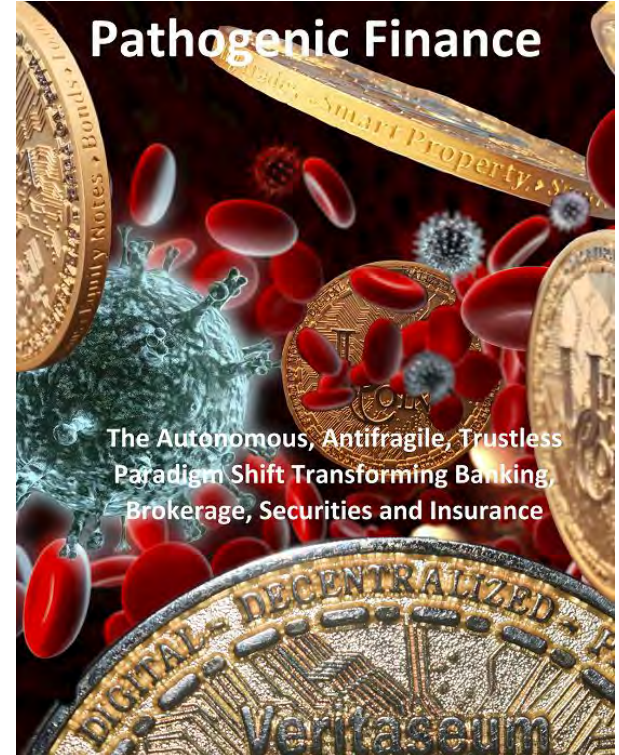
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We need to build out our engineering, development, marketing and legal (to stay on the good side of global regulation) team and pre-fund the initial tradeable contracts upon development

# Understand the Concept of Pathogenic Finance

Click on left to view the video, click right to  
download the report

Go to [Table of Contents](#)

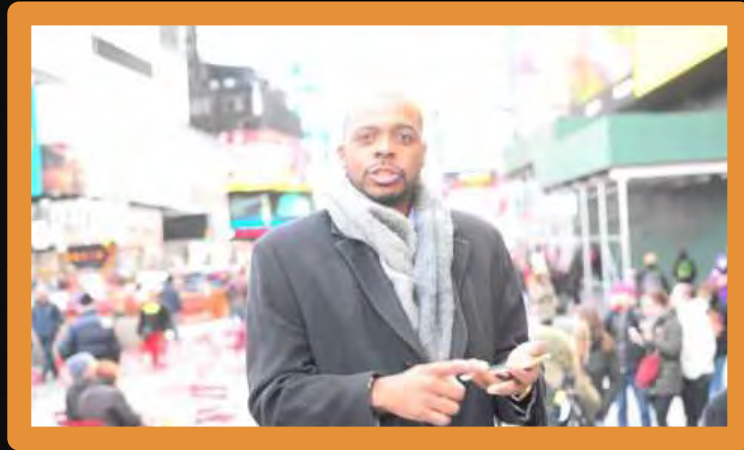


# The Problem with Finance Today

Number 1: Trust

Go to [Table of Contents](#)

# Who do you trust?





# THERE IS NO SUCH THING AS



A TRUSTED PARTY



# The Peer-to-Peer Economy Fueled by **Smart Contracts.**



Loans **without**  
banks



Trades **without**  
exchanges



Contracts **without**  
lawyers

No intermediaries or institutions  
are required to secure financial transactions.

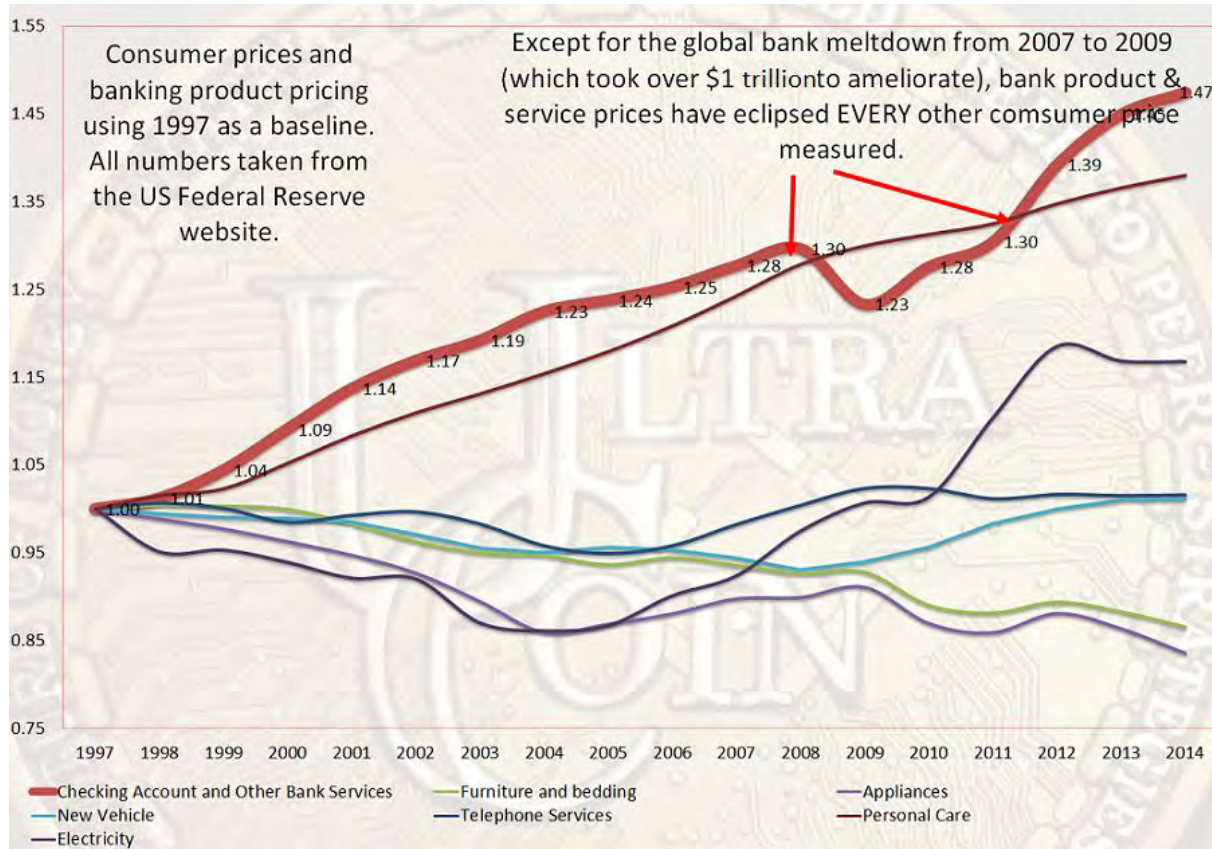
The contracts are **programmed into the money itself.**

# The Problem with Finance Today

Number 2: Friction & Expense



# Financial Services Are *Expensive!*



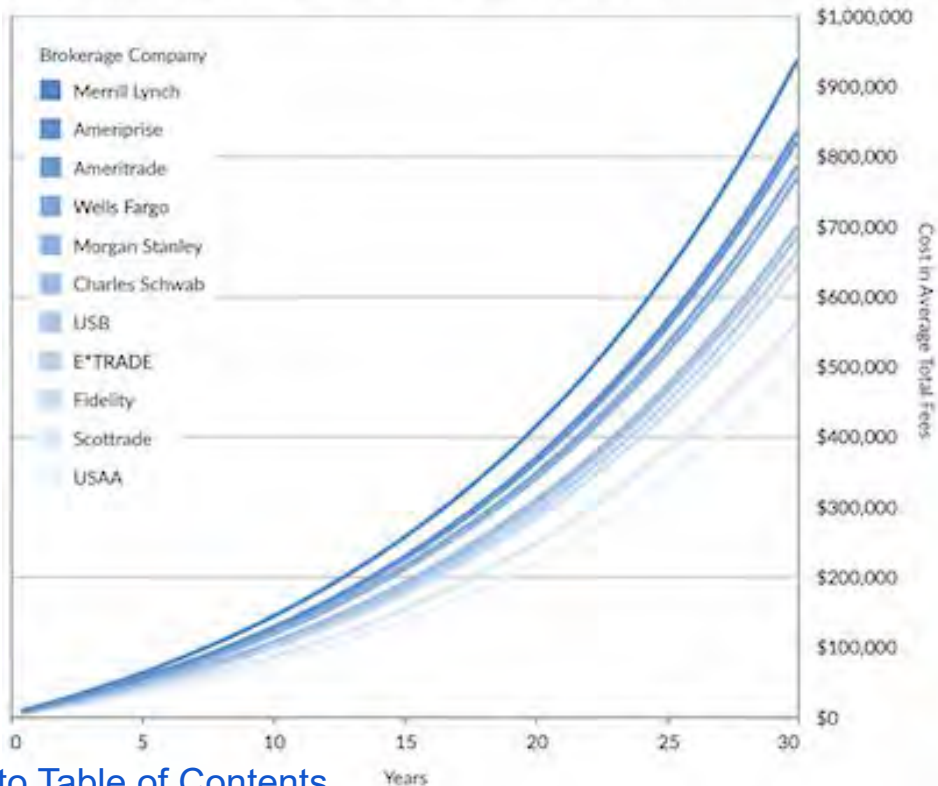
Yet disruptive INNOVATION in finance is practically non-existent & barriers to entry remain quite high due to stringent regulation and substantial capital requirements

[Go to Table of Contents](#)

# Fees Accumulate to Nearly 100% of Original Investment Over Time

Case 1:19-cv-04623-WFK-RSP Document 33-6 Filed 08/19/19 Page 11 of 47 PageID #: 2432

Cost in Average Total Fees Over 30 Years by Brokerage Company



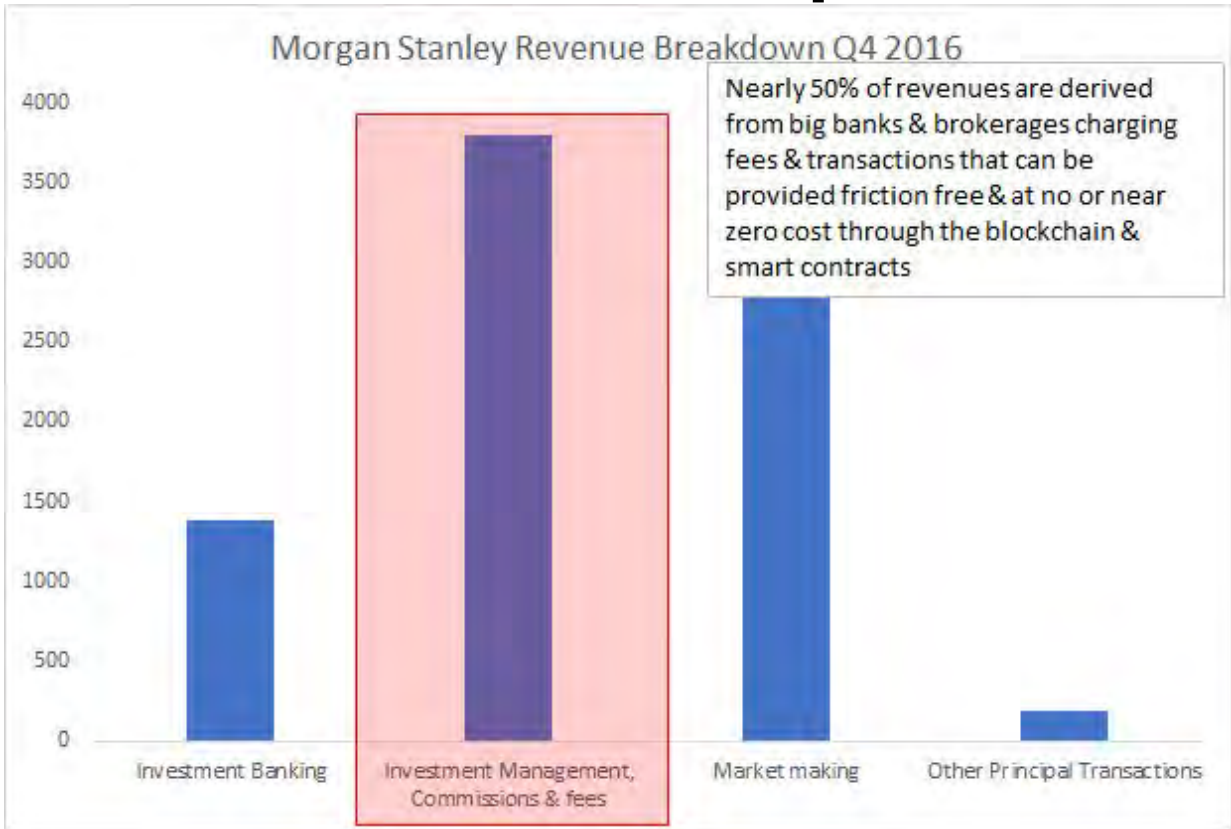
Cost in Average Total Fees After 30 Years by Brokerage Company



[Go to Table of Contents](#)

Source: [Financial Samurai](#)

# There's No True Incentive For Banks to Drop Prices



Commissions & fees are not necessary in the world of self-executing smart contracts & counterparty risk-free blockchain transactions, yet...

[Go to Table of Contents](#)

# Bank Products Are *Expensive*, and This is Why...

Compensation and benefits range from **40% to 60% of net revenues**, leaving banks **vulnerable** to structural changes in product pricing.

There is **no elastic market response to lower prices** because **fixed costs (compensation) are too high!** Industry is ripe for **disintermediation!**

Compare legacy institutions' 4.39% vs. Veritaseum's **0.10%**. Wall Street banks that don't soon become a lot less dumb are about to get a lot less fat and a lot less happy!

Underlying Value	\$5,000,000	
Disclosed Bank Fee	0.16%	
Midmarket Breakeven (average price on day of contract)	4.23%	
Quoted swap rate to borrower	4.76%	
Undisclosed Spread	0.53%	The Spread is not disclosed to the borrower who assumes the bank passed on the swap without any additional fees and is making its money on the loan spread that the swap was sold to hedge. In reality, the bank gorges on both the loan spread and the swap spread, which is why swaps are sold as complementary products to loans. The duration of the swaps sold are also often longer than the duration/maturity of the loan, facilitating more fees.
DV01 on valuation date (dollar value of 1 bp of spread)	\$11,971.70	
Undisclosed Bank fee/profit (using trade date average cost)	\$634,500.00	
Equivalent in hidden origination fee	4.23%	
<b>Total Charges USD</b>	<b>\$658,500.00</b>	The total fee as % of loan varies between 2%-5%
<b>Total Charges %</b>	<b>4.39%</b>	
<b>Mark to Market Valuations often start deeply in the negative because of this, and unwinding fees are also prohibitively expensive</b>		

[Go to Table of Contents](#)



# Wall Street Banks are Structurally Vulnerable to Low Cost Solutions

Case 1:19-cv-04625-WFK-REP Document 33-6 Filed 08/19/19 Page 14 of 47 PageID #: 1485

[Go to Table of Contents](#)

Morgan Stanley

Particulars	Actual 2013 US\$ million	Share of Volume impacted in the first year	Decrease	Expected Annual Figures US\$ million	% Change in Income
<b>Revenues</b>					
Investment Banking	5,246	10%	25%	3,148.5	-2.5%
Trading	9,359	10%	50%	4,679.5	-5.0%
Investments	1,777	0%	0%	1,777	0.0%
Commissions and fees	4,629	10%	50%	2,314.5	-5.0%
Asset management, distribution and administration fees	9,638	9%	50%	4,819	-2.5%
Others	990	9%	25%	742.5	-1.5%
<b>Total Non Interest Revenues</b>	<b>31,639</b>			<b>30,555</b>	<b>-3.4%</b>
Interest income	5,209				
Interest expense	4,431				
<b>Net Interest Income</b>	<b>778</b>	<b>15%</b>	<b>50%</b>	<b>719.5</b>	<b>-7.5%</b>
<b>Net Revenue</b>	<b>32,417</b>			<b>31,275</b>	<b>-3.5%</b>

Goldman Sachs

Particulars	Actual 2013 US\$ million	Share of Volume impacted in the first	Decrease	Expected Annual Figures US\$ million	% Change
<b>Revenues</b>					
Investment Banking	6,004	10%	25%	4,503	-2.5%
Investment management	5,194	5%	50%	2,597	-2.5%
Commissions and fees	8,255	10%	50%	4,127.5	-5.0%
Market making	9,368	10%	50%	4,684	-5.0%
Other principal transactions	6,993	5%	25%	5,244.75	-1.5%
<b>Total Non Interest Revenues</b>	<b>30,814</b>			<b>29,815</b>	<b>-3.2%</b>
Interest income	10,060				
Interest expense	6,668				
<b>Net interest income</b>	<b>3,392</b>	<b>15%</b>	<b>50%</b>	<b>3,138</b>	<b>-7.5%</b>
<b>Net revenues, including net interest income</b>	<b>34,206</b>			<b>32,953</b>	<b>-3.7%</b>

[Go to Table of Contents](#)

# Empower the Peer To Peer Economy Eliminate Gate Keeping and Rent Seeking

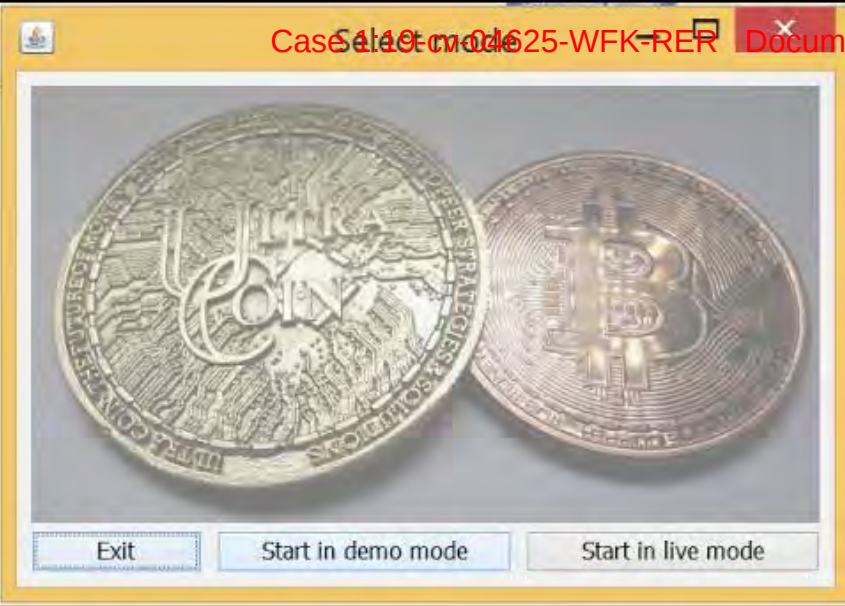


**Veritaseum** is a Peer-to-Peer Capital Markets Platform that enables users to create one-to-one and one-to-many and many-to-one transactions of value **with no third-party involvement**.

Our system uses Smart Contracts to create **unbreakable, self-enforcing agreements** that are embedded in the Blockchain.

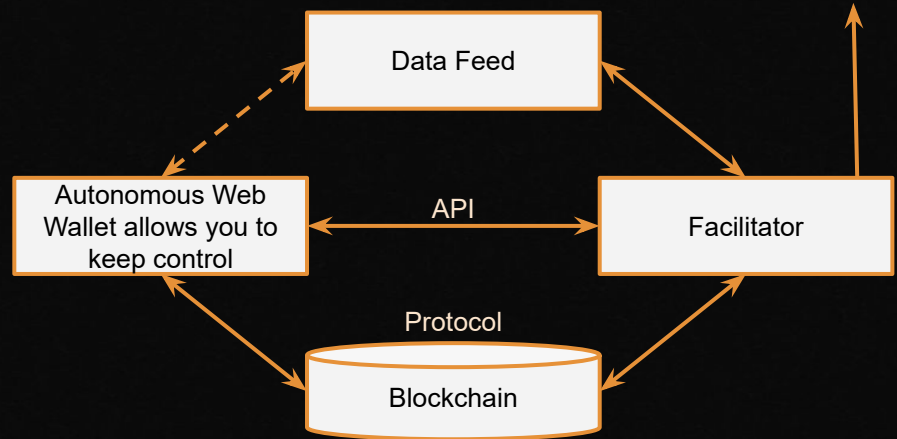
**Veritaseum** makes using Smart Contracts effortless.

**Veritaseum**  
CORPORATION



# Veritaseum In Action

To be  
Decentralized in  
our next iteration!



## Phase 1

Contract Creation - funds from counterparties are committed to Blockchain

## Phase 2

Contract Maintenance - valuation is updated using data feed

## Phase 3

Contract Settlement - settlement transaction is signed and broadcast to release funds to all parties

**Under the Hood:** Proprietary API, Matching Engine, Settlement Engine, Arbitrary Derivatives, Full Nodes/Explorer

[Go to Table of Contents](#)

UltraCoin Client

View Help

Market My Trades My Wallet

Swap Terms:

Principal: Deviation: Receive: Pay: Duration:

.8 ± 0% USD <- Switch -> BBY 20w

All Market Orders Search

Matching orders:

Contract	Principal	Collateral	Duration
Place Order			
Principal:	0.80		
Principal min:	0.80		
Principal max:	0.80		
Collateral:	100%		
Receive:	USD		
Pay:	BBY		
Denominating asset:	~BTC:SATOSHIS		
Est. trans. fees:	0.0001		
Swap fees:	0.00799525		
Swap duration:	20w		

You are about to place an order with these terms. Your order will be filled by the next available matching order.

Place Order Cancel

Available in wallet: 0.80478265B

Match Order Create New... Show Console

[Go to Table of Contents](#)

Veritaseum P2P  
 OTC contracts have simple, layman-friendly forms that enable anybody to form smart contracts for the dynamic, intelligent exchange of value.

This platform is functional now as beta, and has been operational on the Bitcoin public blockchain since 2013.



View Help  
Market My Trades My Wallet

Contract	Principal B24.3938509	Collateral B5.5185564	Notional B879.69564974	Expiry	Time to Expiry	P&L -B0.53125022	Status	Date
USD=X (30.0x) / EURUSD=X (3...	B0.02403846	0%	B0.7211538	2d			pending	2016-03-24 16:15:43....
EURUSD=X (5.0x) / USD=X (5....	B0.1197069	0%	B0.5985345	1w	expired	B0.01107492	completed	2015-05-06 08:44:07....
USD=X (5.0x) / EURUSD=X (5....	B0.1192809	0%	B0.5964045	1w	expired	-B0.00294059	completed	2015-05-06 08:43:26....
EURUSD=X (5.0x) / USD=X (5....	B0.1192809	0%	B0.5964045	1w	expired	B0.00118569	completed	2015-05-06 08:42:49....
FXE (75.0x) / XLF (75.0x)	B0.00471778	25%	B0.3538335	1w	expired	B0.005282	exhausted	2015-05-06 08:22:15....
FUEL (5.0x) / VLTC (5.0x)	B0.025	200%	B0.125	1w	expired	B0.02748216	completed	2015-05-05 15:35:55....
GRPN (5.0x) / USD=X (5.0x)	B0.005	10%	B0.025	5h	expired	-B0.00039166	completed	2015-05-05 14:34:56.78
USD=X (5.0x) / ^GSPC (5.0x)	B0.0892288	0%	B0.446144	1w	expired	-B0.00053438	completed	2015-05-05 11:09:40....
^GSPC (5.0x) / USD=X (5.0x)	B0.0892288	0%	B0.446144	1w	expired	-B0.00088306	completed	2015-05-05 11:09:31....
AAPL (5.0x) / USD=X (5.0x)	B0.0892288	0%	B0.446144	1w	expired	-B0.0020486	completed	2015-05-05 11:09:03....
USD=X (5.0x) / AAPL (5.0x)	B0.0892288	0%	B0.446144	1w	expired	B0.00063116	completed	2015-05-05 11:08:53....
USD=X (65.0x) / GLD (65.0x)	B0.08907624	0%	B5.7899556	1w	expired	B0.00827674	completed	2015-05-05 11:08:12.12
GLD (65.0x) / USD=X (65.0x)	B0.08907624	0%	B5.7899556	1w	expired	-B0.02202396	completed	2015-05-05 11:08:03....
EURUSD=X (65.0x) / USD=X (6....	B0.08907624	0%	B5.7899556	1w	expired	B0.08220263	exhausted	2015-05-05 11:07:49.27
USD=X (65.0x) / EURUSD=X (6....	B0.08907624	0%	B5.7899556	1w	expired	-B0.09594985	exhausted	2015-05-05 11:07:38....
F (6.0x) / GM (6.0x)	B0.01709913	5%	B0.10259478	1w	expired	-B0.00064712	completed	2015-05-05 08:53:29....
DGLD (10.0x) / UGLD (10.0x)	B0.10	10%	B1.00	12w	expired	-B0.11449881	exhausted	2015-05-05 08:53:22....
MBI (10.0x) / USD=X (10.0x)	B0.25	0%	B2.50	16w	expired	B0.23952997	exhausted	2015-05-05 08:53:18....
DWTI (20.0x) / UWTI (20.0x)	B0.25	50%	B5.00	16w	expired	-B0.39412473	exhausted	2015-05-04 22:42:53....
USD=X / NLST	B0.01	10%	B0.01	5w	expired	B0.00008182	completed	2015-05-04 22:42:25....
USD=X / NLST	B0.01	10%	B0.01	5w	expired	B0.00008182	completed	2015-05-04 22:42:21....
GWB / RGR	B0.06283775	0%	B0.06283775	1w	expired	B0.00425779	completed	2015-05-04 22:42:18....
NBG (5.0x) / FNMA (5.0x)	B0.05	10%	B0.25	5h	expired	-B0.00031529	completed	2015-05-04 17:39:59....
S (5.0x) / T (5.0x)	B0.01	10%	B0.05	5h	expired	-B0.00058201	completed	2015-05-04 14:05:24....
UGAZ (2.0x) / DGAZ (2.0x)	B0.02067568	0%	B0.04135136	1w	expired	B0.01014773	completed	2015-05-04 10:41:51....
VXX (2.0x) / ^VIX (2.0x)	B0.0578919	0%	B8.1157838	1w	expired	-B0.00301129	completed	2015-05-04 10:41:45....
EURUSD=X (65.0x) / ^EVZ (65....	B0.13319877	0%	B8.65792005	2d	expired	-B0.14233273	exhausted	2015-05-03 22:02:48....
AUDUSD=X (2.0x) / ^AXJO (2.0x)	B0.00419639	0%	B0.00839278	5m	expired	-B0.00010215	completed	2015-05-03 22:01:33....
MCD / BRK-A	B0.01978123	0%	B0.01978123	1w	expired	-B0.00066202	completed	2015-05-03 22:01:28....
QCOM (18.0x) / AAPL (18.0x)	B0.06676906	44%	B1.20184308	1w	expired	B0.02913304	completed	2015-05-03 22:01:23....

P2P OTC contracts can be aggregated to create an autonomous investment fund and/or portfolio for the contract writer/seller.

This is an actual wallet.

Show:  Pending  Filled  Completed  Failed  Terminated  Revoked  Unfunded

Available Cash Balance: B0.2923774

Updating trades list...

Track Transaction Cancel Selected Cancel All Pending Orders

BTC Show Console

## Competitors:

### The Sell Side of Wall Street and the Pipes That Make It Work



[Go to Table of Contents](#)

**Veritaseum**  
CORPORATION

## Valuable Edge

We were one of the first movers in this space, creating our blockchain trading desk and receiving *70,000+ downloads of our software.*

**Independence:** Veritaseum has no control, possession, or custody of any customer assets

**Time:** We save you "processing time" on your transaction. Your transaction can be completed in under an hour. After Ethereum port, under a minute

**Defensible IP:** We have a **portfolio of patents** (pending) that were filed early.





**Legend**

Beta phase, functional on public blockchain for years but needs work, ie. scaling, stability, UX, security audit, reporting engine, etc.

Conceptual phase

Native Blockchain Token used to purchase Veritas (ie. BTC, ETH)

Ve tokens – used as the universal key to gain access to...

Veritaseum Legacy Asset Exposure Pools

Veritaseum P2P OTC Direct Contracts  
(already built, needs further development)

S&P 500 Index exposure pool

Gold exposure pool

Multi-strategy Hedge Fund Index exposure pool

Buy 3 month \$30k Northwest Brent crude oil exposure for \$30k USD, contract 2x leverage multiplier

Buy 1 yr, \$50k of Gold exposure, paying with \$50k of Silver exposure contract

Sell \$1k of exposure of Intel for \$1k exposure to Qualcomm for \$100 for 18 months

Tools Needed to Create Bespoke Asset Exposure Pools

Templates Needed to Create Bespoke P2P Value Exchange Smart Contracts

JP Morgan creates regulated long/short tech fund

Hedge Funds create tokens to facilitate instant LP liquidity

Real Estate Developer creates digitized future cashflow pools

Samsung creates P2P Letter of Credit on shipment of 1000 Galaxy S8+ units to Best Buy, with autonomous geolocation awareness – WITHOUT A BANK

A NYC real estate developer & London property hedge fund agree to swap 2 year future cash flows for their marquis holdings, thru blockchain

ARAMCO creates native Dinar contracts in bid to create its own commodity basket based reserves to gain independence from USD

Veritaseum consulting and advisory services as capacity permits. Unlimited access to research.

Ve token conversion & liquidity engine provides liquidity in and out of various tokens, regardless of native blockchain. We are aiming to provide a Ve,USD token that closely tracks the USD, devoid of blockchain native volatility & are redeemable for USD. Ve can be used simply to gain access to these software pools, or as the actual funding token as well. This has not been built as of yet, and still in the concept phase.

All transactions and assets take place through the blockchain, and exchange the blockchain for opposing counterparties. The result is, as long as the blockchain itself is resolute, counterparty and credit risk is eliminated. Furthermore, no users of these pools or the platform is exposed to Veritaseum's balance sheet in anyway whatsoever.

Asset pool construction and composition will be open-sourced (unless individual entities wish to create their own private pools, ie. banks or funds or even Veritaseum itself), and the development, software engineering and financial engineering community are welcomed to participate in the creation of the P2P economy.

Open sourced pools will not have any fees or expenses other than what it takes to keep them operational. Custom, Veritaseum-written P2P contracts may have fees attached.

[Go to Table of Contents](#)

# Creative Destruction Through Veritaseum's DAOs

## The Rise of the Zero Margin Digital Autonomous Organization

A **decentralized autonomous organization (DAO)** is run through rules encoded as **computer programs** called **smart contracts**. A DAO's financial transaction record and program rules are maintained on a **blockchain**.

This approach eliminates the need to involve a bilaterally accepted **trusted third party** in a financial transaction, thus simplifying the sequence. The costs of a blockchain enabled transaction and of making available the associated data may be substantially lessened by the elimination of both the trusted third party and of the need for repetitious recording of contract exchanges in different records



# Veritas Can Disintermediate \$1.635+ Quadrillion – Literally the Market of All Money



Global bond market at \$82 Trillion

\$12 Trillion Derivatives cash value

\$1,378 Trillion Forex

\$163 Trillion Equities and Futures

\$82 Trillion Bond markets

**Total: \$1,635 Trillion** [Go to Table of Contents](#)

Not included are the markets for:

- Insurance and risk management
- Real Estate
- Merchant banking and “smart payments”
- Healthcare
- Intellectual property
- and other sectors that we are not at liberty to disclose at this time

# So, What Are Veritas Tokens?

[Go to Table of Contents](#)



- Veritas are software tokens issued by Veritaseum to allow simultaneous access to smart contracts that can mimic exposures offered by banks', brokerages' and financial institutions overpriced products and services as well as directly redeemable for our proprietary financial analysis
- These **smart contracts are decentralized**, meaning there are **no authoritative 3rd parties and no central servers to shut down, confiscate or hack**
- These smart contracts are blockchain-based, **eliminating counterparty, credit and balance sheet risk**
- The open source contract pools (ie. synthetic ETF-like vehicles) will **NOT HAVE ANY FEES INHERENTLY ATTACHED to them** other than their native blockchain transaction fees.

**Most importantly, they are autonomous...**

[Go to Table of Contents](#)



# heteronomous



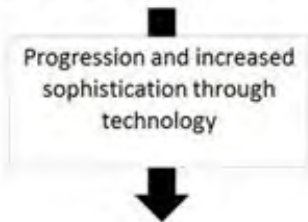
/,hɛtə'ronɪməs/

adjective

1. subject to an external law, rule, or authority
2. directed to an end other than duty for its own sake

Bitcoin 1.0 & legacy institutions

financial transactions where individuals must actually send their assets & capital to another entity for services to be rendered. Forces individuals to trust 3rd parties, **creating the need for regulatory oversight and the potential for fraud &**



# autonomous



[aw-ton-uh-muh s]

adjective

1. self-governing; independent; subject to its own laws only.
2. having autonomy; not subject to control from outside; independent

Bitcoin 2.0 & Veritaseum

Modern method of financial transactions where individuals maintain full possession, control and custody of their assets & capital. Since no money is ever sent to a 3rd party, there is no need for regulatory oversight (actually, there is nothing to regulate). This system is dramatically safer, significantly more transparent and available now with the advent of Veritaseum patent pending technologies.





# About the Stuff Behind Veritas: What is Veritaseum?

Case 1:19-cv-04625-WFK-RLR Document 33-6 Filed 08/19/19 Page 27 of 47 PageID #: 1448

# We're a Software Provider, Not a Financial Entity

Veritaseum uses "Smart Contracts", self-executing, self-enforcing, unbreakable agreements between parties that are embedded in a fortified, intelligent cloud known as the "Blockchain" to eliminate counterparty/credit/default risks prevalent in the banking system.



Place Order	
Principal:	\$4000.00
Collateral:	0%
Leverage:	25x
Total Purchasing Power:	\$100000.00
Receive:	HUF=X
Pay:	PLNUSD=X
Denominating Asset:	~TBTC:SATOSHIS
Swap Expiry:	-
Swap Starts at:	Fri Feb 20 14:58:05 EST 2015
Swap Ends at:	Mon Mar 02 15:58:05 EST 2015
Cancel Swap at:	Fri Feb 20 14:58:05 EST 2015
Est. Trans. Fees:	\$0.0244
Transaction Fees:	\$100.0086
Leverage Fees:	\$21.2205
Max. Profit/Loss:	+ \$3878.7465 / - \$4121.2535
Total Required:	\$4121.2535
You are about to place an order with these terms. Your order will be filled by the next available matching order.	
<input type="button" value="Place Order"/> <input type="button" value="Cancel"/>	

More of a SaaS than a bank, broker, or exchange. Clients are not exposed to our balance sheet and we have no control, possession or custody of *any* client assets

[Go to Table of Contents](#)

# The Veritaseum Platform Can Match Nearly Any Bank, Exchange or Brokerage's Inventory

Instantly Buy & Sell Exposure to ->



Stocks



Bonds



Forex



Commodities



Innovative, custom contracts that can span any asset or asset class...

# We Feel the Veritaseum Platform Outperforms *All* Legacy Institutions on Capability, and with Dramatically Less Risk!

Software driven price leverage of up to 10,000x for over 45,000 tickers in any asset class from around the world - without the risk of margin calls or negative equity!

Do wondrous things with ***distributed*** software, click links to learn more:

1. [Ukraine Enters HYPERINFLATION! See How UltraCoin Smart Contracts Protect Individuals and Enable Speculators](#)
2. [Scarily Prescient Analysis of @Grexit and the Most Advanced Application of Blockchain Tech Ever Seen As Strategy To Hedge Against It](#)
3. [How To Apply 55x Leverage To A Bitcoin Trade Without Losing Your Shirt](#)
4. [Translating Goldman Sachs 2015 Recommendations As UltraCoin Trade Setups pt 3](#)
5. [Using UltraCoin to Monetize the Repercussions of Russia's Interactions with EU & US Economic Sanctions](#)
6. [If You Believe The Oil Bull Market Is Over, This Is How To Monetize It Through Ultra-Coin.com](#)
7. [Using Veritaseum's UltraCoin To Take Direct, Specific Positions On The Argentine Default For As Little As \\$5!](#)
8. [Banking Risks, Rewards & Demise: The Rise of Programmable Currencies & Smart Contracts](#)
9. [How Veritaseum's UltraCoin Could Have Saved Harvard Over \\$1 Billion!](#)





# Unmatched Flexibility: Hedge or Speculate on Nearly Anything, With or Without Leverage

Case 1:19-cv-04625-WFK-RER Document 33-6 Filed 05/19/19 Page 30 of 47 PageID #: 1451

Crude Oil Apr 15 (CLJ15.NYM)

**49.23** -0.53(1.07%) NY Mercantile - As of 2:42AM EST



A leveraged Brent Crude Oil Volatility Hedge paid for by a Kuwait dinar/US dollar forex pair to protect up to \$72,599.99 worth of oil volatility exposure for up to \$2200 of price movement. This smart contract designed through the Veritaseum Platform was used to illustrate the usefulness to an investment fund in the gulf area who displayed interest in investing in Veritaseum.

Place Order	
Principal:	\$2200.00
Collateral:	0%
Leverage:	33x
Total Purchasing Power:	\$72599.9999
Receive:	^OVX
Pay:	KWDUSD=X
Denominating Asset:	~TBTC:SATOSHIS
Swap Expiry:	-
Swap Starts at:	Fri Mar 06 14:47:00 EST 2015
Swap Ends at:	Tue Mar 31 16:46:48 EDT 2015
Cancel Swap at:	Fri Mar 06 14:47:00 EST 2015
Max. Profit/Loss:	+ \$2200.00 / - \$2200.00
Est. Trans. Fees:	\$0.0284
Transaction Fees:	\$72.6127
Leverage Fees:	\$38.8694
Total Required:	\$2311.5106
You are about to place an order with these terms. Your order will be filled by the next available matching order.	
<input type="button" value="Place Order"/>	<input type="button" value="Cancel"/>

[Go to Table of Contents](#)

# Veritaseum Obviates Banks, Brokers, Clearinghouses, and Exchanges

BlockChain enforces all contract terms (like an exchange) P2P, while design interface allows full bespoke customization (like OTC) at a fraction of the prices of *all* legacy institutions, whose cost infrastructure prevents them from competing

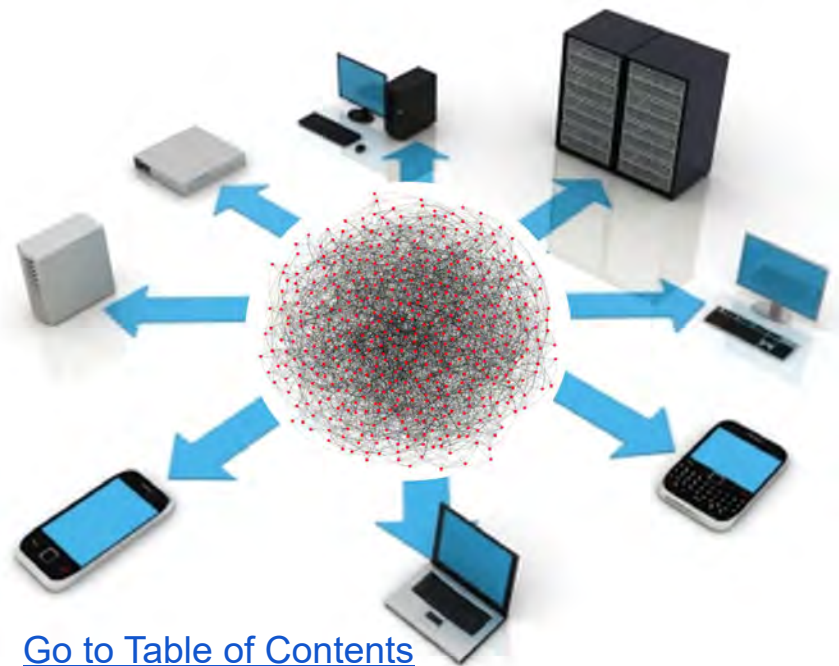
Contract	Principal \$153.7511	Collateral \$7.6396	Expiry	Time to Expiry	P&L -\$5.7836	Status
/ EURUSD=X (75.0x)	\$10.6527	0%	6h			pending
x) / PLNUSD=X (75.0x)	\$10.5685	0%	6h			pending
VF	\$0.0254	100%	52w	29w2d19h15m	-\$0.0227	filled
(100.0x) / USD=X (100.0x)	\$2.5381	100%	14w4d9h	13w6h45m	-\$0.747	filled
0x) / RTS.RS (75.0x)	\$5.0761	0%	6h			pending
.0x) / EURUSD=X (150.0x)	\$10.6218	0%	2h			pending
(75.0x) / EURDKK=X (75.0x)	\$10.5787	0%	6h			pending
(75.0x) / GBPCHF=X (75.0x)	\$5.0761	0%	6h			pending
) / USD=X (75.0x)	\$10.5812	0%	6h			pending
/ HUF=X (75.0x)	\$10.6527	0%	6h			pending
/ PLNUSD=X (75.0x)	\$10.6527	0%	6h			pending
F16.NYM	\$5.0761	50%	44w5d22h37m...	40w5h12m	-\$0.5807	filled
(75.0x) / ALV (75.0x)	\$5.0761	0%	6h			pending
/ JPM (75.0x)	\$5.2855	0%	6h			pending
(45.0x)	\$10.6802	0%	5h			pending
0x) / PLNUSD=X (75.0x)	\$10.5685	0%	6h			pending
/ BTCUSD=X (10.0x)	\$6.3452	0%	1w	3d17h19m	-\$3.6156	filled
0x) / RUBUSD=X (75.0x)	\$5.2906	0%	6h			pending
.0x) / DKKEUR=X (100.0x)	\$2.5381	100%	14w4d9h	13w6h45m	-\$0.8176	filled
.0x) / INRUSD=X (75.0x)	\$5.2881	0%	6h			pending
ULE (75.0x)	\$10.5787	0%	6h			pending

ending  Filled  Completed  Failed  Terminated  Revoked  Unfunded

ash Balance: \$0.23587682 / \$59.8672

Track Transaction Cancel Selected Cancel All Pan

des list... USD Sh



[Go to Table of Contents](#)

# Veritaseum Platform Trade Lifecycle

## Phase 1 - Order Placement

- Wallet validates terms with Facilitator; broadcasts conforming transaction
- Facilitator activates order once confirmed

## Phase 2 - Order Matching

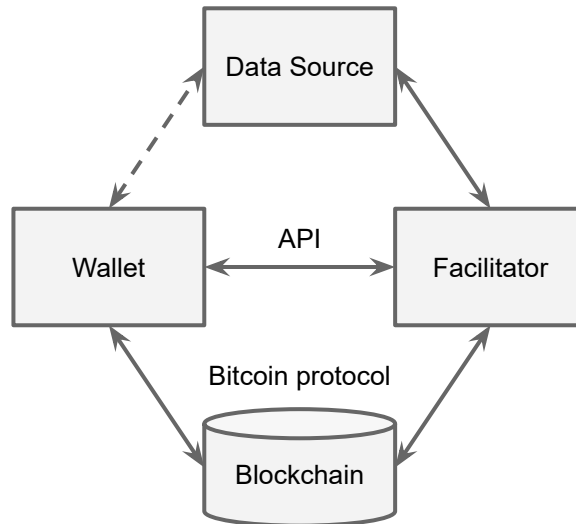
- Facilitator matches order with counterorder; commits funds from both orders to blockchain; provides catastrophic rollback transaction to Wallets

## Phase 3 - Maintenance

- Facilitator updates state from external data source
- Wallets (optionally) verify state independently

## Phase 4 - Expiry

- Facilitator creates partially-signed settlement transaction unlocking funds from blockchain; transmits to both parties
- Either Wallet signs and broadcasts, simultaneously releasing funds to both parties




**Obligatory, vastly oversimplified architectural diagram**



# Veritaseum Settles to Cash in Your Wallet in <85 Minutes, Legacy System = T+3

On Monday morning at approximately 9 am, a client with a regular brokerage account wanted to sell her stock and have the funds directly deposited into her checking account held with a separate bank. I told the client that the:

[Go to Table of Contents](#)

	 <b>Veritaseum</b>	<b>Legacy Brokerage &amp; Banking System</b>
Settlement date for the funds to become available in cash will be...	Today (Thursday) less then 45 minutes from now	Thursday, 3 business days (T+3) from now
Then I told her, "after that it's	5 to 40 mintues to transfer funds to her personal wallet/Coinbase/Circle account	24-48 business hours for the funds to clear in her checking account through ACH (automated clearing house) , so the latest would be Monday but likely Friday.
Then I realized she didn't have the appropriate "Funds Transfer Service" (FTS) paperwork on file.... therefore we won't be able to initiate the deposit until I email her the blank document which she can print out, fill out by hand, sign it, attach a blank check to it so we have the account number & routing number, then either fax oor Fed-Ex it back to us which will take...	no additional time at all since funds are remitted instantly through the blockchain	an additional 48-96 business hours to process, depending on whether it was faxed over overnighted.
If she doesn't have access to a fax machine she has to mail it. I told her she can't email the document back to us because email is not a secure enough method for transferring such sensitive information. This adds...	absolutely nothing because blockchain communications are quite secure, and in this case not even necessary because she got her funds within minutes of executing her trade.	another 7-10 business days to the cycle for it has to arrive and be processed.
I told her the alternatives were...	absolutely nothing because blockchain communications settled this trade and transferred funds within minutes of the trade execution.	to do a wire transfer on Thursday, when the stock trade settles, which should arrive in her account on Thursday but could be as late as Friday if trade settlement happens after 4 p.m. However that costs \$30. Or we can send her a check which will take 7-10 business days to arrive, and another 24 to 48 hours to clear.
<b>Total time from execution of asset sale to cash settled receipt of funds...</b>	<b>Today, roughly 20 minutes tt an hour and a half from now.</b>	<b>Between Friday (4 days) and four to five Thursdays from now (24 business days - or a few days shy of a calendar month).</b>

# Under the Hood\*

## Tech

API

Matching engine

Settlement engine

Arbitrary derivatives with

SECRET SAUCE

NOT TELLING

NOTHING TO SEE HERE

NOT THE DROIDS YOU'RE LOOKING FOR

MOVE ALONG

, and more...

## Patents / Pending Patents

COOL, TECHNICAL SOUNDING STUFF ON HOW TO DO  
AMAZING THINGS WITH THE BLOCKCHAIN THAT  
YOU'VE NEVER HEARD OF BEFORE GOES HERE

MULTISIG

zero-confirmation

bitcoin HFT

# Meet The Team by clicking each video



## Matt Bogosian

No longer with us, but as our ex-CTO, **Smart Contracts Engineer** has engineered the strong foundation that is Veritaseum

Matt has spent over 15 years architecting, designing, and coding software. Matt is also an experienced patent attorney skilled in advising matters related intellectual property.

Click blue names for LinkedIn profiles

## Reggie Middleton CEO, Founder

Reggie has advised thousands of investors, traders, hedge funds and global banks. He has been featured on The Keiser Report, Boom Bust, Bloomberg, BBC and CNBC.

[Go to Table of Contents](#)

## Patryk Dworzniak Senior Software

### Engineer

Full stack developer and engineer, developed the legacy Veritaseum Java client, adept at Bitcoin blockchain development, bitcoin script, Java, React, Javascript, C++, GO and Solidity

## Riaan F. Venter FinTech Advisor,

### Developer

Data and Finance using Python (NumPy, Pandas, Matplotlib, SQLAlchemy), Ethereum (Solidity, Truffle, Zeppelin), and Functional Programming (Clojure). Strong background in FinTech, programming and global finance

## Manish Kapoor

### Financial & Biz Process Analyst

Certified international analyst and forensic accountant, served as Asst. Director & Manager with CRISIL/S&P, Price Waterhouse Coopers & Deloitte. Manish has worked with Reggie for 10 yrs in predicting the fall of Bear Stearns, Lehman Brothers, General Growth Properties and European sovereign debt crisis.

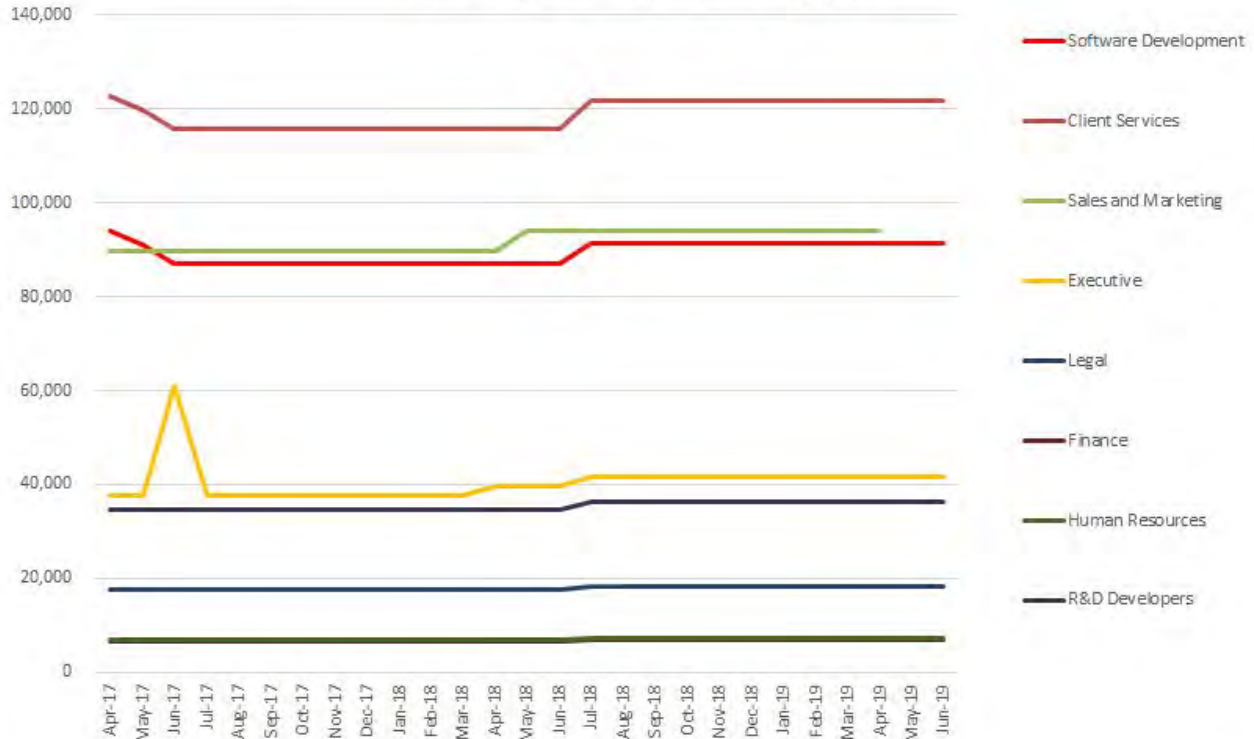




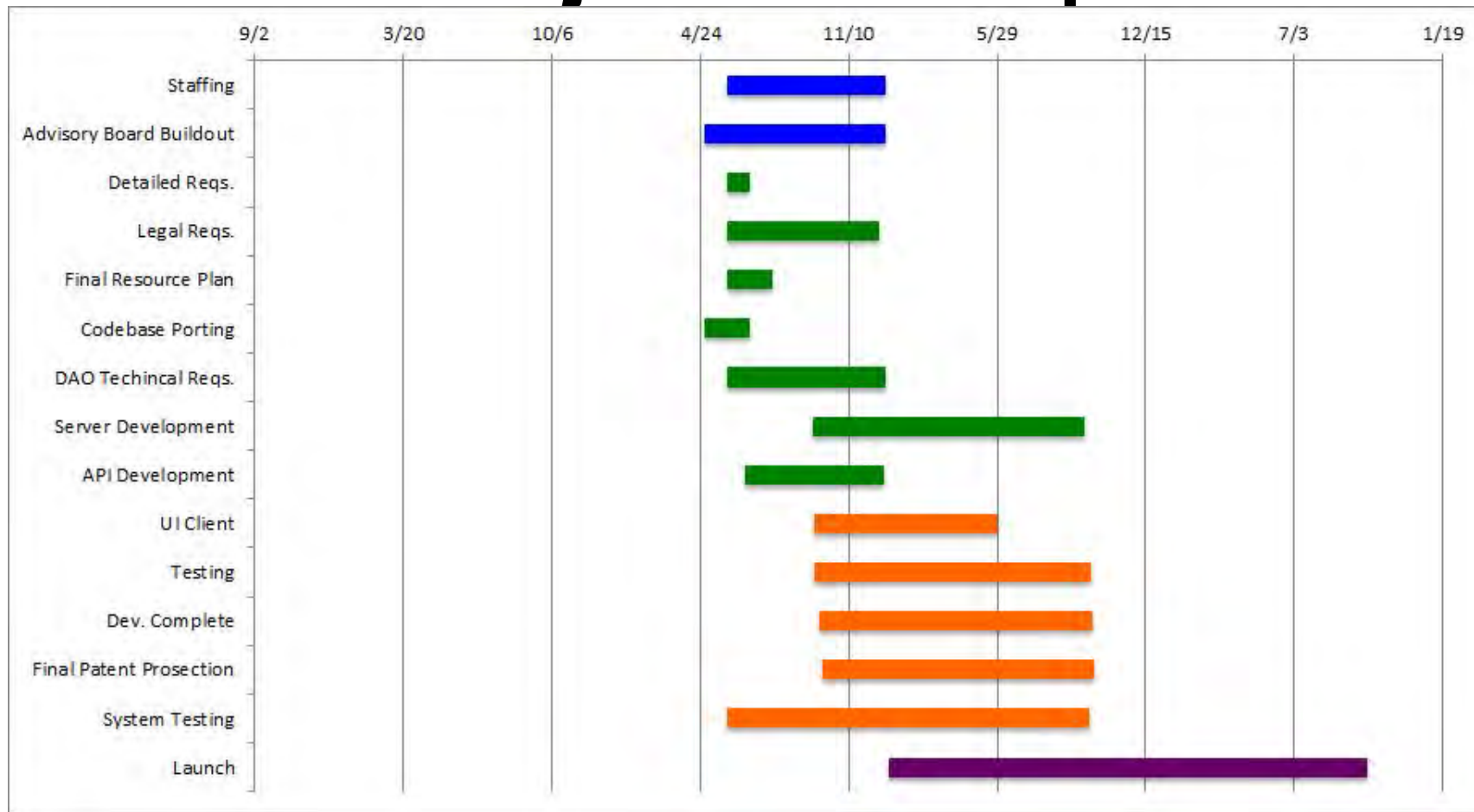
**Base Labor Costs for Vertasegn**

Early on, our executives served double duty as attorney's, financial and software engineers.

Prior to the soft re-launch we will dramatically beef up sales, marketing, managerial & support



# Project Roadmap



We need to build out our engineering & development staff, biz dev, operational mgmt & marketing.

We expect a beta relaunch of P2P this year, with gradual rollout of other services through 2019.

Expect delays, snafus

Tasks	Start	End	Days	Status
Staffing	5/30	12/30	214	In progress
Advisory Board Buildout	4/30	12/30	244	Not started
Detailed Reqs.	5/30	6/30	31	In progress
Legal Reqs.	5/30	12/20	204	Not started
Final Resource Plan	5/30	7/30	61	Not started
Codebase Porting	4/30	6/30	61	Not started
DAO Technical Reqs.	5/30	12/30	214	Not started
Server Development	9/22	9/24	367	In progress
API Development	6/23	12/27	187	In progress
UI Client	9/25	5/29	246	In progress
Testing	9/24	10/2	373	In progress
Dev. Complete	10/2	10/5	368	Not started
Final Patent Prosecution	10/5	10/7	367	In progress
System Testing	5/30	9/30	488	Not started
<b>Launch</b>	1/2	10/10	646	

# Examples of the Power of Tradeable Expertise

January 18, 2008

Price:	\$33.4
52 Week range:	\$31.43 - \$67.43
Shares Outstanding (mn):	244
Float (mn):	206.06
Shareholder's equity:	\$1,510.0
Market Cap:	\$8,143.3
EV:	\$32,168.8
WACC:	5.8%
Beta:	1.35
Debt to Equity:	1594.3%

General Growth Properties, Inc (GGP)



Please observe that around 88 properties have LTV ratios exceeding 70%, with sparse or negative cash flow & sub 5% cap rates. We are incorporating possible property foreclosures into the fair value of highly leveraged properties in further detail and taking the most realistic assumptions for refinancing options available to the company. We expect this to significantly impact valuations. See boomstustblog.com for updates.

## Investment Summary

General Growth Properties (GGP) seems headed for a difficult operating environment in the wake of deteriorating economic fundamentals in US and the company's huge financial debt liability. We believe that while operating cash flows would get impacted by lowering commercial real estate rentals in the US, increased interest burden of tightening lending standards by large financial institutions amid concerns over incremental exposure of the structured securities to the securitized loan crisis would weigh on the company's near-to-medium earnings. The problem could get aggravated with rising losses from probable foreclosure of mortgages on some of GGP's prime but high leveraged properties, in our view.

## Key Points

- Commercial real estate rentals headed southwards:** With US recession looming large and increasingly being pushed by a slowdown in US consumer spending, lower-than-expected US retail sales in 4Q2007 and rising unemployment rate, demand for commercial real estate is expected to slow down, creating downward pressure on the commercial real estate rentals. US retail sales for December 2007 declined 0.4% over November 2007 levels, and unemployment rate rose to 5% in December, the highest level since 4Q2005. The near-to-medium-term outlook doesn't present a favorable trend in the commercial real estate rentals amid weakening macro-economic indicators in the US.
- Refinancing challenges for GGP's huge debt liability amid tightening credit market**  
 As of September 30, 2007, GGP had an outstanding debt of approximately \$24 billion, of which \$2.6 bn and \$3.3 bn is due for payment in 2008 and 2009, respectively. By 2011, more than 70% GGP's debt (approximately \$17.6 billion) is scheduled to be repaid, which would be possible only through the refinancing option. Following the US sub-prime meltdown in mid-2007, the credit market has squeezed significantly. With tightening of lending standards in the global credit market, it looks extremely difficult for GGP to refinance its huge debt liabilities. Any further deterioration in the capital market conditions, impairing GGP's ability to re-finance its debt obligations, could significantly jeopardize the company's re-development plans. Consequently, GGP could be forced to foreclose mortgages on some of its prime, but highly leveraged properties. Alternately, to avoid foreclosure GGP may be forced to sell assets in a period of tight liquidity, hence lower aggregate sales values for those properties which would have fetched a significantly higher price just a year earlier.
- Rising interest burden:** As the financial performance of large financial institutions including Merrill Lynch, Citigroup and JP Morgan is being impacted by huge sub-prime losses and the market is adjusting their valuation (demonstrated by the rapid decline in their share price in last one month), these institutions have become more selective in lending funds to consumers and the corporate world. This, in our opinion, would negatively impact GGP's ability to negotiate with large banks and credit institutions as lenders get more conservative and impose stringent lending conditions such as a low level of loan-to-value (LTV) ratio. We expect the effective interest rate of company's debt to rise over the present levels as the company starts refinancing its debts due for repayment in next couple of years. With cash flow from operations expected to rise at a moderate level and interest rate soaring to extremely uncomfortable levels, GGP might need a refinance facility to refinance its interest liability. This could result in a very tight operating environment for the company especially in the absence of any near-to-medium-term favorable drivers in the US real estate sector. The company's management has not exhibited, in our opinion, the ability to outperform in a tight operating environment. The requisite margin for error needed to see this company profitably through the next 8 quarters is just not there.





Sunday, 27 January 2008 05:00

Topics

- Asa
- Asset
- Securitization
- Crisis
- Banking Blogonomics
- Capital Markets
- Commercial
- Banks
- Commercial Real Estate

## Is this the Breaking of the Bear?

### How we got started

Anybody who follows my blog knows that I am extremely bearish on the global macro environment, particularly risky and financial assets. As I see it, the Doctor(s) [FrankenFinance](#) are constantly percolating econo-alchemical brews such as that of the ongoing "Great Macro Experiment," eliciting undulating waves of joy and elation from amateur speculators such as myself while simultaneously creating risk/reward traps that many a financial and real asset concern may never escape from. While discussing with my team how best to move forward to find a target of our "Macro Experiment" victim analysis in the financial sector, I was queried as to what to look for in creating the short list. Evaluating investment banks, like evaluating the monolines, is not necessarily a straightforward endeavor. No matter how you do it, someone is going to disagree. This is what makes what I do so appealing. All I have to answer to is performance. I just need a profitable result in order to be

## Increasing foreclosures, declining housing prices having an impact on the marking of ABS & MBS Inventories

Bear Stearns \$46 billion of MBS and ABS securities portfolio includes 5.5% (\$2.55 billion) of the subprime mortgage related securities as of November 2007. Five hundred million of the \$2.55 billion subprime exposure is of the vintage year 2007, which is most likely to be negatively impacted by the credit turmoil. The defaults witnessed in the vintage years of 2006 and 2007 assets have been highest, consequently these assets are likely to be further written down. Bear Stearns has \$1.1 billion of Investment Grade (IG) subprime securities and \$200 million of Below Investment Grade (BIG) securities. Bear Stearns also has \$750 million of ABS CDO exposure, the structured finance products that has been the bane of the recent credit turmoil. As of December 20, 2007, Bear Stearns MBS & ABS related securities declined to \$43.6 billion of which \$15 billion consist of CMBS portfolio.

## Bear Stearns

From Wikipedia, the free encyclopedia

The **Bear Stearns Companies, Inc.** was a New York based global investment bank and securities trading and brokerage firm **that failed in 2008** as part of the global financial crisis and recession and was subsequently sold to JPMorgan Chase. Its main business areas before its failure were capital markets broker, wealth management and global clearing services.

In the years leading up to the failure, Bear Stearns was heavily involved in securitization and issued large amounts of asset-backed securities, which in the case of mortgages were pioneered by Lewis Ranieri, "the father of mortgage securities".<sup>[1]</sup> As investor losses mounted in those markets in 2006 and 2007, the company actually increased its exposure, especially the mortgage-backed assets that were central to the subprime mortgage crisis. In March 2008, the Federal Reserve Bank of New York provided an emergency loan to try to avert a sudden collapse of the company. The company could not be saved, however, and was sold to JP Morgan Chase for \$10 per share, a price far below its pre-crisis 52-week high of \$133.20 per share, but not as low as the \$2 per share originally agreed upon by Bear Stearns and JP Morgan Chase.<sup>[2]</sup>

The collapse of the company was a prelude to the risk management meltdown of the investment banking industry on the United States and elsewhere that culminated in September 2008, and the subsequent global financial crisis of 2008–2009. In January 2010, JPMorgan ceased using the Bear Stearns name.<sup>[3]</sup> [Go to Table of Contents](#)

### Bear Stearns



<b>Traded as</b>	NYSE: BSC (former)
<b>Industry</b>	Investment services
<b>Fate</b>	Bought by JP Morgan Chase in March 2008
<b>Founded</b>	1923
<b>Defunct</b>	2008
<b>Headquarters</b>	New York City, US
<b>Key people</b>	Alan Schwartz, former CEO James Cayne, former Chairman & CEO
<b>Products</b>	Financial services Investment banking Investment management
<b>Website</b>	<a href="http://www.bear.com">www.bear.com</a> &

Losses	Base Case	Optimistic Case	Worst Case
Subprime mortgage loans	0.13	0.08	0.25
IG subprime securities	0.11	0.06	0.28
BIG subprime securities	0.10	0.05	0.15
ABS CDO	0.38	0.19	0.56
<b>Total Losses</b>	<b>0.71</b>	<b>0.37</b>	<b>1.24</b>

The slow down in the housing and commercial real estate markets owing to slump in the demand has exerted pressure on the valuations of the ABS/RMBS and CMBS portfolio. In addition, the sharp correction in housing prices witnessed across almost all the states in the US is further worsening the situation. Rising inventories of housing attributable to rise in foreclosure activity, REO sales, existing homeowner sales, and new inventory from homebuilders will further put pressure on the values of this portfolio. In the last one year, housing prices have declined at an average of almost 7%, while the foreclosed housing inventories have risen by almost at an average of 20% in the US. The continued weakness in the US housing market will further worsen the situation as the demand for such papers continue to wither away.

49.23 -0.53(1.07%) NY Mercantile - As of 2:42AM EST



**Place Order**

Principal:	\$2200.00
Collateral:	0%
Leverage:	33x
Total Purchasing Power:	\$72599.9999
Receive:	^OVX
Pay:	KWDUSD=X
Denominating Asset:	~TBTC:SATOSHIS
Swap Expiry:	-
Swap Starts at:	Fri Mar 06 14:47:00 EST 2015
Swap Ends at:	Tue Mar 31 16:46:48 EDT 2015
Cancel Swap at:	Fri Mar 06 14:47:00 EST 2015
Max. Profit/Loss:	+ \$2200.00 / - \$2200.00
Est. Trans. Fees:	\$0.0284
Transaction Fees:	\$72.6127
Leverage Fees:	\$38.8694
Total Required:	\$2311.5106

You are about to place an order with these terms. Your order will be filled by the next available matching order.

The trade setup to the left illustrates a leveraged Brent Crude Oil Volatility Hedge paid for by a Kuwaiti dollar/US dollar forex pair to protect up to \$72,599.99 worth of oil volatility exposure for up to \$2200 of price movement. This is an ideal custom hedge for a Kuwaiti entity with oil production price exposure!

The ability to trade nearly any asset from nearly any exchange in the world, with some of the brightest minds in the business.

# Illustrative Example of a Kuwait Sovereign Wealth Fund That Accumulates

# Veritas



# Veritas Implementation Is Capable of Rapid Growth Through Proliferation of Veritaseum Use Cases

Banking

Brokerage

Letters of Credit

Real Estate

Healthcare

Exchanges

Insurance

Commodities

Trading

Forex



## Token Details

<b>Role of token:</b>	Used as a means of access, payment and contract creation
<b>Token supply:</b>	100 million
<b>Distributed in Token sale:</b>	51%
<b>Consensus method:</b>	Ethereum

## ICO Details

<b>Sale period:</b>	April 25th, 2017 9:30 AM EST to May 26th, 2017
<b>First price:</b>	30 Veritas per 1 ETH
<b>Token distribution date:</b>	Immediately distributed
<b>Maximum investment cap:</b>	1,720,000 ETH
<b>How are funds held:</b>	Ethereum smart contract, BTC Multisig/Cold wallets, fiat accounts
<b>Beta release date:</b>	Quarter one, 2018

[Go to Table of Contents](#)

# Token and ICO Details

Click one

- [Veritas Product Purchase Agreement](#)
- [Terms & Conditions of the Veritaseum 2017 Veritas Sale](#)
- [Veritas 2017 ICO Purchase: Step-by-Step Tutorial](#)

# Offering Overview

The VeritaseumCoin is an ERC20 compliant Ethereum token, with added features to enable a Crowdsale Initial Coin Offer (ICO). The code-base makes use of Zeppelin and its standard templates, Safemath and other standard solidity best practices.

Usage of the Veritaseum Token:

- Simple send Ether to the Smart contract.
- VeritaseumCoin will create and allocate new tokens to the address from which the Ether was send, according the set and prevailing rate (as per the price global variable in the Smart Contract)
- Use, sell or transfer your tokens on any compatible exchange such as [EtherDelta](#)

The token sale works on a sliding scale with the following rules:

- The ICO runs for 31 days.
- Day one offers a 20% discount
- Day two offers a 10% discount
- After which the discount will reduce by 1% per day until full price is reached

Tokens are non-refundable.

[Go to Table of Contents](#)

# Want more info? Click a Video...





# LET'S CHANGE THE FUTURE OF MONEY TOGETHER!



**Veritaseum**  
CROWDFUNDING™

[Go to Table of Contents](#)

Ethereum & Bitcoin crowdsale begins April 25th,  
2017 at the open of New York Markets.

# Click Links Below To Begin...

Buy **Veritas** during our [crowdsale starting April 25th, 2017...](#)

- [Download the Legacy Veritaseum](#) wallet (no longer publicly available due to regulatory issues)...
- Learn more [about Veritaseum...](#)
- [Contact us...](#)

# **Exhibit 7**



*Loans without banks. Trades without brokers.*

*Contracts without lawyers.™*

# Terms and Conditions of the

## Veritas (Ve) Sale

## Definitions

**Veritaseum LLC:** A for-profit company that develops decentralized and distributed value transaction technology, including the Veritaseum Platform. Veritaseum LLC also provides advisory and consulting services relating to the Veritaseum Platform.

**Veritaseum** or **Veritaseum Platform** (formerly marketed under the moniker “UltraCoin”): A system that allows for the peer-to-peer (P2P) trading of arbitrary value. The Veritaseum Platform is being developed primarily by employees and contractors of Veritaseum LLC. It currently enables trading exposure to a variety of physical and digital instruments using blockchain-denominated assets.

**Veritas** or **Ve:** The prepaid software [token](#) redeemable to Veritaseum LLC for various products and services offered by Veritaseum LLC, or to access or use various features or aspects of the Veritaseum Platform or other Veritaseum LLC software products. These currently include Veritaseum LLC’s advisory and research services. Veritas are redeemable to Veritaseum LLC in bearer form, much like gift certificates or loyalty points.

**Smart Contract:** Computer protocols or code that automate the facilitation, verification, or enforcement of a contract, which may obviate the need for a separate negotiated writing or agreement.

## Introduction

The following Terms and Conditions (“Terms”) govern the sale of Veritas to purchasers (“Purchasers” collectively, and “Purchaser” individually). Veritas are redeemable solely to Veritaseum LLC for various products and services offered by Veritaseum LLC, or to access various features or aspects of the Veritaseum Platform or other Veritaseum LLC software products. These include or may eventually include prepaid advisory services, prepaid financial or consulting services, prepaid training services, prepaid fees and/or prepaid tokenized access for the Veritaseum Platform, etc.

As described further below, creation and use of Smart Contracts for value within the Veritaseum Platform requires payment. As do the various advisory and consulting services associated with such use. This payment exists in the form of a cryptographic software token or key to gain entry into the contracting system. Without requiring payment for operations, the system would not have the economic incentive nor the resources to operate, would potentially be vulnerable to attack, would not be viable, and would likely grind to a halt. The payment, in the form of fees for creating and administering Smart Contract transactions, is made to Veritaseum LLC.

This document describes the Veritas Sale in which this cryptographic software token (Veritas) is sold. Parties may be interested in purchasing Veritas in the Veritas Sale to build and power value trading and transaction products and vehicles, to pay for coming distributed application services on the Veritaseum Platform or other Veritaseum

LLC software products, to pay for other software tokens that may be created on the Veritaseum Platform for various applications, or to pay for Veritaseum LLC's advisory or consulting services.

## IMPORTANT

By participating in the sale of Veritas, you expressly acknowledge and represent that you have carefully reviewed the Terms, as well as the [Veritas Product Purchase Agreement](#) ("Purchase Agreement") and fully understand the risks, costs, and benefits of purchasing Veritas, and agree to be bound by these Terms. As set forth further below, you further represent and warrant that, to the extent permitted by law, you are authorized to purchase Veritas in your relevant jurisdiction, are of a legal age to be bound by these Terms, and will not hold Veritaseum LLC, its parent, affiliates, officers, directors, agents, joint ventures, employees, and suppliers, now or in the future (collectively the "Veritaseum Parties"), liable for any losses or any special, incidental, or consequential damages arising out of, or in any way connected to the sale of Veritas.

Ownership of Veritas carries no rights, express or implied. Veritas are solely intended for redemption to Veritaseum LLC for various products and services offered by Veritaseum LLC, or to access various features or aspects of the Veritaseum Platform or other Veritaseum LLC software products. Purchases of Veritas are non-refundable. Purchasers should have no expectation of influence over governance of the platform or its development. Nor should Purchasers expect income, profits, or economic cash flows to be derived from the ownership of Veritas.

## **WARNING: DO NOT PURCHASE VERITAS IF YOU ARE NOT VERSED IN DEALING WITH CRYPTOGRAPHIC SOFTWARE TOKENS, BLOCKCHAIN-BASED SOFTWARE SYSTEMS AND DERIVATIVE TECHNOLOGIES OR PRODUCTS, OR ARE NOT FAMILIAR WITH THE PRODUCTS OR SERVICES OFFERED BY VERITASEUM LLC**

Because Veritas are issued as cryptographic software tokens, and are redeemable by the bearer, purchases of Veritas should be undertaken only by individuals, entities, or companies that have significant experience with, and understanding of, the usage and intricacies of such cryptographic software tokens, blockchain-based software systems like Bitcoin (BTC) or Ethereum (ETH), and the products and services offered by Veritaseum LLC

While Veritaseum LLC will provide general guidelines for user usage and storage of Veritas before the Veritaseum Platform becomes fully operational, Purchasers should have a functional understanding of storage and transmission mechanisms associated with other cryptographic software tokens. While Veritaseum LLC may be available to assist Purchasers of Veritas during and after the sale, Veritaseum LLC will **not** be responsible for lost BTC or Veritas resulting from actions taken by, or omitted by Purchasers. Note, in particular, that Purchasers should take great care to write down their wallet password and not lose it so as to be sure that they will be able to access their Veritas when it becomes available after the Veritas Sale.



If you do not have such experience or expertise, then you should not purchase Veritas or participate in the pre-sale of Veritas.

## **WARNING: THE PURCHASE OF VERITAS HAS A NUMBER OF RISKS**

The purchase of Veritas carries with it a number of risks. Prior to purchasing Veritas, you should carefully consider the risks listed below and, to the extent necessary, consult an appropriate lawyer, accountant, or tax professional. If any of the following risks are unacceptable to you, you should not purchase Veritas. By purchasing Veritas, and to the extent permitted by law, you are agreeing not to hold any of the Veritaseum Parties liable for any losses or any special, incidental, or consequential damages arising from, or in any way connected, to the sale of Veritas, including losses associated with the risks set forth below.

### **Overview of the Veritas Sale**

The Veritaseum Platform requires, for proper operation, and comprehensive utilization, transactional, operational, and leverage fees, access to, and use of the platform, as well as a modicum of knowledge in financial engineering.

In particular, in order for proper operation and delivery of value, the Veritaseum Platform requires fees for its services. It also requires that its customers have a material grasp of finance, investment, derivative structures, trading, and cryptographic, token-based systems.

These aspects of operation have been symbolically encapsulated in Bitcoin-based and Ethereum-based software tokens called Veritas (Ve, VER, VERI) which are essentially tiny portions of the Veritaseum Platform software. These software tokens represent:

1. Pre-paid transaction fees for use and operation of the Veritaseum Platform. This value trading system is currently operational as a beta. These pre-paid fees and access to and use of the system tokens will be redeemable once the system is out of beta, and are transferrable; and
2. Prepaid advisory or consulting services provided by Veritaseum, Inc. regarding application of the Veritaseum platform or other Veritaseum LLC software products.

Veritaseum LLC will produce and market a quantity of Veritas in a event called the Veritas ICO Sale, to be conducted via its website at [the Veritaseum "Veritas Sale Page"](#) ("the Veritas Sale"). Purchasers participating in the Veritas Sale will acquire Veritas in exchange for ETH (Ether) at predefined sale prices set by Veritaseum LLC in accordance with these Terms. Purchasers of Veritas in the Veritas Sale will be awarded cryptographic software receipts or "tokens" in the form of a "wallet" that will enable them to redeem their Veritas once the aspects of the product that utilize Veritas have been developed and are ready for delivery. Bearers of these software tokens can redeem them to access advisory services or financial or technology consulting services immediately, and will

be able to use them with the Veritaseum Platform (e.g., for payment of fees, or as access to and operation of the system, etc.) once the Veritaseum Platform has emerged from beta. Veritaseum LLC hopes to deliver this functionality by the end of 2018. This represents a good faith estimate on behalf of Veritaseum LLC, and is based on the assumption that certain future events will or will not transpire that are beyond the control of Veritaseum LLC. Under no circumstances does Veritaseum LLC provide any assurances, representations, or guarantees of timely delivery of any of the described functionality, or even that any of the described functionality will be delivered at all.

## Creation and Sale of Veritas

Veritas will be created through the cryptographic “tagging” of certain Ether (ETH) to identify them as Veritas for the Veritas Sale. The amount will be up to 51,000,000.00 tokens in a First Pool (VERI.1) for allocation to Purchasers (the “Veritas Sale Quantity of Veritas”). Veritaseum LLC will also have a reserve pool of Veritas (VERI.2) of 49,000,000.00 tokens for future use at Veritaseum LLC’s sole discretion.

## Timing of Sale

The Veritas Sale will begin at **09:30 am, EDT on April 25, 2017**. The Veritas Sale will run until all Veritas allocated to the First Pool have been sold or exhausted or 31 days, whichever occurs first.

Veritaseum Inc. reserves the right to shorten, extend, postpone, or change the timing or duration of the sale at any time without advance notice to anyone, and for any reason, including any unanticipated technological, security, or procedural issues.

## Pricing and Initial Discount on Price of Veritas

The baseline retail price of Veritas will be set by Veritaseum LLC at **0.033 ETH** per Verita (the “Retail Price”). A graded discount to the retail price will be offered during the first 12 days of the Veritas Sale (the Discounting Period). At the time of the start of the sale, the Retail Price of one Veritas is expected to be approximately discounted 20% from the “Retail Price” - at the outset of the Discounting Period. The following day, the discount will drop to 10%, and will decrease by 1% per day until the full Retail Price is reached. The Retail Price will be offered for any remaining days of the sale through 9:30 am, EST on **May 26, 2017**. Should the sale continue beyond that time, Veritaseum LLC may, at its sole discretion, periodically adjust the Retail Price of Veritas in terms of BTC to respond to changes in business requirements or environment.

Veritaseum LLC reserves the right to shorten, extend, postpone, or change the timing or duration of the Discounting Period at any time duration without advance notice to anyone, and for any reason.

## Purchase of Veritas from the Ethereum Network

Instructions on how to purchase Veritas are available in the [Veritas 2017 Purchase Step-by-Step Guide](#). Failure to follow these instructions may limit, delay, or prevent a Purchaser from obtaining Veritas. Any questions about these instructions should be directed to [veritas@veritaseum.com](mailto:veritas@veritaseum.com).

## Obligation to Determine If Purchaser Can Purchase Veritas in Purchaser's Jurisdiction

The Veritas Sale constitutes the sale of a legal software product and associated advisory and consulting services under United States law. This product sale is conducted by Veritaseum LLC, US corporation. It is the responsibility of each potential Purchaser of Veritas to determine if the Purchaser can legally purchase Veritas from Veritaseum LLC in the Purchaser's jurisdiction.

## Acceptance of Terms and Conditions of the Veritas Sale

By purchasing or possessing Veritas, the Purchaser: (i) consents and agrees to the Terms and the [Veritas Product Purchase Agreement](#); (ii) represents and warrants that the Purchaser is legally permitted to purchase Veritas in the Purchaser's jurisdiction and is legally permitted to receive products of US origin; (iii) represents and warrants that the Purchaser is of a sufficient age to legally purchase Veritas or has received permission from a legal guardian who has reviewed and agreed to these Terms; (iv) represents and warrants that the the Purchaser will take sole responsibility for any restrictions and risks associated with the purchase of Veritas as set forth below; (v) represents and warrants that Purchaser is not exchanging bitcoin (BTC) or ether (ETH) for Veritas for the purpose of speculative investment; (vi) represents and warrants that the Purchaser is acquiring Veritas for the use of decentralized application services or the purchase of software tokens specific to forthcoming decentralized applications on the Veritaseum Platform, or to facilitate development, testing, deployment and operation of decentralized applications on the Veritaseum Platform; and (vii) represents and warrants that the Purchaser has an understanding of the usage and intricacies of cryptographic software tokens, like BTC, ETH and blockchain-based software systems.

## Purchaser's Loss of the Purchase Password Will Cause the Loss of the Purchased Veritas

As part of the purchase process, and in order to purchase Veritas, each Purchaser will need to obtain an Ethereum wallet. Part of this process requires (or may require) providing a password.

Purchaser must keep the Purchase Password safe and not share it in any way or with anybody. The Purchase Password is essential for accessing the Purchaser's Veritas. Purchaser's loss of the Purchase Password may cause the loss of the purchased Veritas. Unauthorized access by any party to a the Purchase Password, may enable that unauthorized party to access the purchased Veritas and the Veritas may be lost.

By purchasing Veritas, and to the extent permitted by applicable law, the Purchaser agrees not to hold any of the Veritaseum Parties liable for any losses or any special, incidental, or consequential damages arising out of, or in any way connected to, Purchaser's failure to properly secure and keep private the Purchase Password.

### **Purchaser's Loss of the Purchase Wallet or Failure to Backup the Purchase Wallet Will Cause the Loss of the Purchased Veritas**

The Purchase Account will be used to create and access a wallet file containing at least one unique address and private key, which will store the purchased Veritas (the "Purchase Wallet").

Upon creating the Ethereum wallet, the Purchaser agrees to create a backup of the Purchase Wallet to the Purchaser's computer's file system, and to store the applicable wallet file and backup copies of the wallet in a secure location on that computer as well as on some other device.

***Purchaser must keep the Purchase Wallet and any wallet backup files safe and not share them in any way or with anybody. Purchaser must make copies of the Purchase Wallet and securely store backup copies of the Purchase wallet in multiple locations. The Purchase Wallet is essential for accessing the Purchaser's Veritas. Purchaser's loss of the Purchase Wallet or any wallet backup files will cause the loss of the purchased Veritas. Unauthorized access by any party to a Purchaser's Purchase Wallet, will enable that unauthorized party to access the purchased Veritas and the Veritas will be lost.***

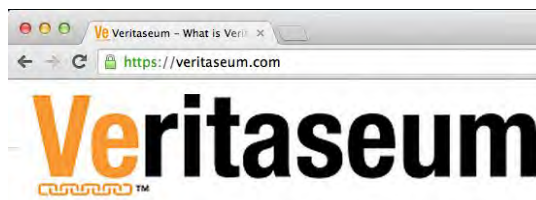
By purchasing Veritas, and to the extent permitted by applicable law, the Purchaser agrees not to hold any of the Veritaseum Parties liable for any losses or any special, incidental, or consequential damages arising out of, or in any way connected to, Purchaser's failure to properly backup and secure the the Purchase Wallet and any wallet backup files.

### **Veritas Will Only Be Available For Sale on the Veritaseum Website and the Veritas "Smart Contract"**

Veritaseum LLC will only sell Veritas through its website <https://veritaseum.com/> and via the Veritas crowdsale "Smart Contract". To the extent that any third-party website or service offers Veritas for sale, such third-party websites or services are not sanctioned by Veritaseum LLC, or its parents and affiliates and have no relationship

in any way with the Veritaseum Parties. As a result, Veritaseum LLC prohibits the use of these third-party websites or services for the purchase of Veritas prior to the end of the Veritas Sale.

Purchasers should take great care that the sites used to purchase Veritas have the following universal resource locators (“URLs”):



Or



Please ensure that the URLs of your web browser indicate that it is using a hypertext transport protocol secure connection (“https”) as depicted in the images above and that the domain names are correct.

By purchasing Veritas, and to the extent permitted by applicable law, the Purchaser agrees not hold any of the Veritaseum Parties liable for losses incurred by any person, entity, corporation, or group individuals or groups who uses a third party service to purchase Veritas.

**The only official and authorized Veritas sale website URL is <https://veritaseum.com/> and <https://blog.veritaseum.com>.**

### Limitations on the Purchase of Veritas

Any individual, group, corporation, company, entity, or groups of legally connected entities (e.g., multiple entities with the same owner, or multiple entities in which one owns one or more of the others, or multiple entities who have entered into a joint venture) wishing to purchase more than **1,500,000 Veritas** must contact Veritaseum LLC directly at [veritas@veritaseum.com](mailto:veritas@veritaseum.com) to clear the purchase.

When using the Veritas Sale web site for purchasing Veritas, each Purchaser agrees that, to the best of the Purchaser's knowledge, and after all necessary inquiries, the Purchaser will not cause any entity, person, group, company, corporation, or group of associated entities to control more than **1,500,000 Veritas**.

### **Fraudulent Attempts to Double Spend BTC and/or ETH**

Veritaseum LLC will monitor all potential transactions for fraudulent attempts to double spend BTC. Any detected double spend of BTC or ETH will result in no Veritas being generated in the Veritas Sale for the associated wallet address.

### **Certain Risks Associated with the Purchase of Veritas**

Veritas are redeemable solely to Veritaseum LLC for various products and services offered by Veritaseum LLC, or to access various features or aspects of the Veritaseum Platform or other Veritaseum LLC software products. Because Veritas are redeemable solely to Veritaseum LLC, and because Veritas are sold as prepaid software tokens, the purchase of Veritas carries with it significant risk. Prior to purchasing Veritas, the Purchaser should carefully consider the risks listed below and, to the extent necessary, consult any appropriate experts or professional prior to determining to purchase Veritas.

Veritaseum plans to make Veritas available to trade on exchanges that support ERC20 token standard. Such trades, liquidity, availability and general operation are out of the control of Veritaseum, and Veritaseum bears no responsibility nor association with such exchanges nor the activity conducted upon them.

### **Risk of Dissolution of The Veritaseum Project Due To a Diminishment in the Value of ETH**

Purchasers will pay ETH to purchase Veritas. In the past few months the price of ETH in United States dollars has been relatively volatile. It is possible that the value of ETH will drop significantly in the future, potentially depriving Veritaseum LLC of sufficient resources to continue to operate. In order to guard against this risk, Veritaseum LLC intends to periodically convert proceeds from the sale of Veritas into fiat and other currencies and assets instead of ETH. In addition, it is the goal of Veritaseum LLC to have multiple sources of cash and operating capital, but these goals may or may not materialize.

### **Risk of Losing Access to Veritas Due to Loss of a Wallet File or Password**

As noted above, Veritas will be stored in a wallet, which can only be accessed with the Purchase Password selected by the Purchaser. If a Purchaser of Veritas does not maintain an accurate record of the Purchase



Password or otherwise deletes or loses access to the Purchase Wallet or any wallet backup files, this will lead to the loss of Veritas.

As a result, Purchasers must safely store their Purchase Password and any wallet backup file each in one or more backup locations that are well separated from the primary location. Additionally the Purchase Password and any wallet backup file should never be stored unencrypted on any third party's properties by the end user.

***In order to access one's Veritas, both the Purchase Password and access to the Purchase Wallet and any wallet backup files are required; loss of any, or leakage/theft of the Purchase Password and any wallet backup file, will lead to the loss of a Purchaser's Veritas.***

### **Risk of Unauthorized Access to a Downloaded Wallet or Backup File**

Any third party that gains access to the Purchase Password will be able to access the Purchase Account and/or the Purchase Wallet, or download a wallet backup file. In addition, any third party that is able to access any wallet backup file can potentially access the Purchase Wallet by deciphering or cracking the Purchase Password. To guard against any improper access to the wallet, the Purchaser should: (i) select a highly secure Purchase Password for the Purchase Account and Purchase Wallet; and (ii) promptly encrypt any wallet backup files, as well as delete any unencrypted wallet backup files after receipt, as expressly required by these Terms.

Purchaser must take care not to respond to any inquiry regarding their purchase of Veritas, including but not limited to, email requests purportedly coming from the veritaseum.com or similar looking domain.

### **Third Party Risk**

Veritaseum LLC is conducting at least a portion of the Veritas Sale via the Ethereum platform and network. Ethereum's platform, network or software may contain bugs or exploitable security holes which could result in the loss of Veritas. Veritaseum LLC does not offer any warranty of any kind, express or implied, including but not limited to the warranties of merchantability, fitness for a particular purpose, and noninfringement of any third party service or technology used in facilitating the Veritas Sale. In no event shall Veritaseum LLC be liable for any claim, damages or other liability, whether in an action of contract, tort, or otherwise, arising from, out of, or in connection with any third party service or technology used in facilitating the Veritas Sale, or the use or other dealings in any third party service or technology used in facilitating the Veritas Sale.

The Purchaser agrees not hold any of the Veritaseum Parties liable for losses incurred by any person, entity, corporation, or group individuals or groups for losses caused by a failure of any third party service or technology used in facilitating the Veritas Sale.

### **Risk of Regulatory Action in One or More Jurisdictions**

Cryptocurrencies have been the subject of regulatory scrutiny by various regulatory bodies around the globe. The Veritaseum Platform and Veritas could be impacted by one or more regulatory inquiries or regulatory action, which could impede or limit the ability of Veritaseum LLC to continue to develop the Veritaseum Platform.

### **Risk of Insufficient Interest in the Veritaseum Platform or Distributed Applications**

It is possible that the Veritaseum Platform will not be used by a large number of external businesses, individuals, or other organizations, and that there will be limited public interest in its creation and development. Such a lack of interest could impact the development of the Veritaseum Platform and potential uses of Veritas.

### **Risk Associated With the Development of Other Platforms For Decentralized Applications**

Veritaseum LLC is one of several organizations, companies, and groups, attempting to build a platform which would facilitate the creation and deployment of decentralized value trading applications. It is possible that different technical paradigms than the ones being used in the current Veritaseum Platform implementation are optimal.

While Veritaseum LLC hopes to be a leader in the development of this technology, competition from these alternative platforms for decentralized value trading applications may impact success of the Veritaseum Platform and the ability of Veritaseum LLC to operate and sell or redeem Veritas in the future.

### **Risk that the Veritaseum Platform, As Developed, Will Not Meet the Expectations of Purchaser**

The Purchaser recognizes that the Veritaseum Platform is presently under development and may undergo significant changes. Purchaser acknowledges that any expectations regarding the form and functionality of the Veritaseum Platform held by the Purchaser may not be met upon release of the Veritaseum Platform, for any number of reasons, including a change in the design and implementation plans and execution of the implementation of the Veritaseum Platform.

### **Risk that Desired Aspects of the Veritaseum Platform May Never Be Completed or Released**

Purchaser understands that while Veritaseum LLC will make reasonable efforts to advance the Veritaseum Platform, it is possible that an official completed version of the Veritaseum Platform enabling features the

Purchaser desires may not be released and there may never be an operational Veritaseum Platform with such features. Purchasers should have no expectation of influence over governance of the platform or its development.

### **Risk that Products or Services for which Veritas May Be Redeemed Will Not Meet the Expectations of Purchaser**

The Purchaser recognizes that Veritaseum LLC, at its discretion, may release products and services for which Veritas may be redeemed subject to separate license or agreement and availability. Purchaser acknowledges that any expectations regarding the nature, number, quality, utility, fitness, price, duration, availability, or any other terms of such products or services held by the Purchaser may not be met upon their release, for any number of reasons, including a change in Veritaseum LLC's business strategy.

### **Risk that Veritas May Take Materially Longer Than Anticipated to Redeem or May Never Be Redeemable for the Purchaser's Desired or Anticipated Products or Services**

Veritaseum LLC does not guarantee the continued or eventual availability of any of its products or services. Purchaser understands that while Veritaseum LLC will make reasonable efforts to provide products and services that are desirable by the Purchaser and for which Veritas may be redeemed, it is possible that any such products or services will be discontinued at any time, or that no such products or services will be released. In addition, Purchaser understands that due to limited availability of any desired products or services, normal business constraints, or other reasons, Veritaseum LLC may not provide immediate access to such products or services upon the Purchaser's request.

### **Risk of Theft**

Hackers or other groups or organizations may attempt to steal the BTC revenue from the Veritas Sale, thus potentially impacting the ability of Veritaseum LLC to develop the Veritaseum Platform or otherwise operate. To account for this risk, Veritaseum LLC has and will continue to implement comprehensive security precautions to safeguard the ETH obtained from the sale of Veritas.

### **Risk of Security Weaknesses in the Veritaseum Platform Core Infrastructure Software**

The Veritaseum Platform rests on open-source software, and there is a risk that the Veritaseum LLC, or other third parties not directly affiliated with the Veritaseum Parties, may introduce weaknesses or bugs into the core infrastructural elements of the Veritaseum Platform, causing the system to lose Veritas or lose sums of other valued tokens issued on the Veritaseum Platform.

While Veritaseum LLC has taken reasonable steps to build, maintain, and secure the infrastructure of the Veritaseum Platform, and will continue to do so after the Veritas Sale, Purchaser understands that Veritaseum LLC provides the Veritaseum Platform “as-is”, without a warranty of any kind, express or implied, including but not limited to the warranties of merchantability, fitness for a particular purpose, and noninfringement. In no event shall Veritaseum LLC be liable for any claim, damages or other liability, whether in an action of contract, tort, or otherwise, arising from, out of, or in connection with the Veritaseum Platform, or the use or other dealings in the Veritaseum Platform. Purchaser further acknowledges that participation in the Veritas Sale is not a license to use or access the Veritaseum Platform, and that use or access of the Veritaseum Platform is governed by and subject to its own separate license.

### **Risk of Weaknesses or Exploitable Breakthroughs in the Field of Cryptography**

Cryptography is an art, not a science. And the state of the art can advance over time. Advances in code cracking, or technical advances such as the development of quantum computers, could present risks to cryptocurrencies and the Veritaseum Platform, which could result in the theft or loss of Veritas. To the extent possible, Veritaseum LLC intends to update the protocol underlying the Veritaseum Platform to account for any advances in cryptography and to incorporate additional security measures, but cannot it cannot predict the future of cryptography or the success of any future security updates.

### **Risk of Mining Attacks**

As with any cryptocurrency, the blockchain used to create, transfer, or redeem Veritas software tokens, and used by the Veritaseum Platform (currently the Bitcoin and Ethereum blockchains) are susceptible to mining attacks, including but not limited to double-spend attacks, majority mining power attacks, “selfish-mining” attacks, and race condition attacks. Any successful attacks present a risk to the Veritaseum Platform, expected proper execution, and sequencing of BTC, ETH or Veritas transactions, and expected proper execution and sequencing of contract computations. Despite the efforts of Veritaseum LLC, known or novel mining attacks may be successful.

### **Risks Associated with Third Party Transfers of Veritas Outside of Veritaseum LLC’s Control**

Veritaseum LLC recommends that all Veritas be purchased from Veritaseum LLC as described on its [Veritas Sale Page](#). However, because Veritas are transferable, and because they may be redeemed by their bearer, it is possible that one may acquire Veritas from an entity other than Veritaseum LLC Cryptographic software tokens such as ETH, have demonstrated extreme fluctuations in price over short periods of time on a regular basis. A Purchaser of Veritas should be prepared to observe similar fluctuations, both down and up, in any pricing of Veritas by third parties, denominated in ETH, BTC, United States dollars (“USD”), or other fiat money of other jurisdictions. Other than these Terms and the Purchase Agreement, Veritaseum LLC does not place restrictions on the transfer of Veritas among third parties, either directly or via an intermediary. Such transactions are beyond Veritaseum LLC’s control, and may very well subject Veritas to extreme price fluctuations, which may be

representative of changes in the balance of supply and demand, among other things. Veritaseum LLC cannot and does not claim, assert, endorse, or guarantee any market for Veritas. Therefore there may be periods of time in which Veritas is difficult or impossible to exchange among third parties. Any such difficulties related to third party dealings are outside of Veritaseum LLC's control, and have neither any effect on, nor any relationship to the redemption value of Veritas when redeemed to Veritaseum LLC

By purchasing Veritas, you expressly acknowledge and represent that you fully understand that Veritaseum LLC recommends that all Veritas be purchased from Veritaseum LLC as described on its [Veritas Sale Page](#), that Veritas may experience volatility in pricing in any third party transfers beyond Veritaseum LLC's control, and that you will not seek to hold any of the Veritaseum Parties liable for any losses or any special, incidental, or consequential damages arising from, or in any way connected to any third party transfers of Veritas.

### All Purchases of Veritas Are Non-Refundable

**ALL PURCHASES OF VERITAS ARE FINAL. PURCHASES OF VERITAS ARE NON-REFUNDABLE. BY PURCHASING VERITAS, THE PURCHASER ACKNOWLEDGES THAT NEITHER Veritaseum LLC NOR ANY OTHER OF THE VERITASEUM PARTIES ARE REQUIRED TO PROVIDE A REFUND FOR ANY REASON, AND THAT THE PURCHASER WILL NOT RECEIVE MONEY OR OTHER COMPENSATION FOR ANY VERITAS THAT IS NOT USED OR REMAINS UNUSED.**

Due to different regulatory dictates and the inability of citizens of certain countries to perform certain transactions, it may be unlawful to purchase, transfer, possess, or use Veritas in some jurisdictions. By purchasing, transferring, possessing, or using Veritas, the Purchaser warrants that Purchaser's purchase, transfer, possession, or use of Veritas complies with all laws and regulations as applied to the Purchaser, and to the extent permitted by law, the Purchaser agrees not hold any of the Veritaseum Parties liable for any of Purchaser's acts that violate any applicable laws or regulations.

### Privacy

Although Veritaseum LLC may require Purchasers to provide an email address, subject to these Terms, Veritaseum LLC, will not publish any identifying information related to an Veritas purchase, without the prior written consent of the Purchaser.

Sharing of information furnished by the Purchaser to any third party shall be governed by any express or implied privacy agreement between the Purchaser and the third party.

Purchasers may be contacted by email by Veritaseum LLC regarding a purchase. Such emails will be informational only. Veritaseum LLC will not request any information from Purchasers in an email.

## Disclaimer of Warranties

THE PURCHASER EXPRESSLY AGREES THAT THE PURCHASER IS PURCHASING VERITAS AS A CRYPTOGRAPHIC SOFTWARE TOKEN REPRESENTING PREPAID FEES, USAGE RIGHTS, ADVISORY AND CONSULTING SERVICES FOR PRODUCTS THAT MAY NOT YET EXIST AT THE PURCHASER'S SOLE RISK AND THAT VERITAS IS PROVIDED ON AN "AS IS" BASIS WITHOUT WARRANTIES OF ANY KIND, EITHER EXPRESS OR IMPLIED, INCLUDING, BUT NOT LIMITED TO, WARRANTIES OF TITLE OR IMPLIED WARRANTIES, MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE (EXCEPT ONLY TO THE EXTENT PROHIBITED UNDER APPLICABLE LAW WITH ANY LEGALLY REQUIRED WARRANTY PERIOD TO THE SHORTER OF THIRTY DAYS FROM FIRST USE OR THE MINIMUM PERIOD REQUIRED).

WITHOUT LIMITING THE FOREGOING, NONE OF THE VERITASEUM PARTIES WARRANT THAT THE PROCESS FOR PURCHASING VERITAS WILL BE UNINTERRUPTED OR ERROR-FREE.

## Limitations and Waiver of Liability

THE PURCHASER ACKNOWLEDGES AND AGREES THAT, TO THE FULLEST EXTENT PERMITTED BY ANY APPLICABLE LAW, THE DISCLAIMERS OF LIABILITY CONTAINED HEREIN APPLY TO ANY AND ALL DAMAGES OR INJURY WHATSOEVER CAUSED BY OR RELATED TO USE OF, OR INABILITY TO USE, VERITAS OR THE VERITASEUM PLATFORM UNDER ANY CAUSE OR ACTION WHATSOEVER OF ANY KIND IN ANY JURISDICTION, INCLUDING, WITHOUT LIMITATION, ACTIONS FOR BREACH OF WARRANTY, BREACH OF CONTRACT OR TORT (INCLUDING NEGLIGENCE), AND THAT NONE OF THE VERITASEUM PARTIES SHALL BE LIABLE FOR ANY INDIRECT, INCIDENTAL, SPECIAL, EXEMPLARY OR CONSEQUENTIAL DAMAGES, INCLUDING FOR LOSS OF PROFITS, GOODWILL OR DATA, IN ANY WAY WHATSOEVER ARISING OUT OF THE USE OF, OR INABILITY TO USE, OR PURCHASE OF, OR INABILITY TO PURCHASE, VERITAS.

THE PURCHASER FURTHER SPECIFICALLY ACKNOWLEDGES THAT VERITASEUM PARTIES ARE NOT LIABLE, AND THE PURCHASER AGREES NOT TO SEEK TO HOLD ANY OF THE VERITASEUM PARTIES LIABLE, FOR THE CONDUCT OF THIRD PARTIES, INCLUDING OTHER PURCHASERS OF VERITAS AND ANY THIRD PARTY INTERMEDIARY USED IN FACILITATING THE VERITAS SALE, AND THAT THE RISK OF PURCHASING AND USING VERITAS RESTS ENTIRELY WITH THE PURCHASER .

TO THE EXTENT PERMISSIBLE UNDER APPLICABLE LAWS, UNDER NO CIRCUMSTANCES WILL ANY OF THE VERITASEUM PARTIES BE LIABLE TO ANY PURCHASER FOR MORE THAN THE AMOUNT THE PURCHASER HAVE PAID TO Veritaseum LLC FOR THE PURCHASE OF VERITAS.



**SOME JURISDICTIONS DO NOT ALLOW THE EXCLUSION OF CERTAIN WARRANTIES OR THE LIMITATION OR EXCLUSION OF LIABILITY FOR CERTAIN TYPES OF DAMAGES. THEREFORE, SOME OF THE ABOVE LIMITATIONS IN THIS SECTION AND ELSEWHERE IN THE TERMS MAY NOT APPLY TO A PURCHASER. IN PARTICULAR, NOTHING IN THESE TERMS SHALL AFFECT THE STATUTORY RIGHTS OF ANY PURCHASER OR EXCLUDE INJURY ARISING FROM ANY WILLFUL MISCONDUCT OR FRAUD OF Veritaseum LLC**

### **Jurisdiction of the Sale**

The legal entity conducting the Veritas Sale, Veritaseum LLC, is organized in the State of Delaware, under the laws of the United States.

### **Dispute Resolution**

All disputes, controversies or claims arising out of, relating to, or in connection with the Terms, the breach thereof, or Veritaseum LLC's sale of Veritas or use of the Veritaseum Platform shall be finally settled under the Rules of Arbitration of the International Chamber of Commerce by one or more arbitrators appointed in accordance with said Rules. All claims between the parties relating to these Terms that are capable of being resolved by arbitration, Veritas sounding in contract, tort, or otherwise, shall be submitted to ICC arbitration.

Prior to commencing arbitration, the parties have a duty to negotiate in good faith and attempt to resolve their dispute in a manner other than by submission to ICC arbitration.

The arbitration panel shall consist of one arbitrator only, unless the ICC Court of Arbitration determines that the dispute is such as to warrant three arbitrators. If the Court determines that one arbitrator is sufficient, then such arbitrator shall be selected from the United States. If the Court determines that three arbitrators are necessary, then each party shall have 30 days to nominate an arbitrator of its choice: in the case of the Claimant, measured from receipt of notification of the ICC Court's decision to have three arbitrators; in the case of Respondent, measured from receipt of notification of Claimant's nomination. All nominations must be from the United States. If a party fails to nominate an arbitrator, the Court will do so. The Court shall also appoint the chairman.

All arbitrators shall be and remain "independent" of the parties involved in the arbitration. The place of arbitration shall be fixed by the ICC Court, but the arbitral tribunal may conduct hearings, meetings, and deliberations at any location it considers appropriate. The language of the arbitration shall be English. In deciding the merits of the dispute, the tribunal shall apply the laws of the United States and any discovery shall be limited and shall not involve any depositions or any other examinations outside of a formal hearing. The tribunal shall not assume the powers of amiable compositeur or decide the case ex aequo et bono.

In the final award, the tribunal shall fix the costs of the arbitration and decide which of the parties shall bear such costs in what proportion. Every award shall be binding on the parties. The parties undertake to carry out the

award without delay and waive their right to any form of recourse against the award in so far as such waiver can validly be made.

## Force Majeure

Veritaseum LLC is not liable for failure to perform solely caused by:

- unavoidable casualty,
- delays in delivery of materials,
- embargoes,
- government orders,
- acts of civil or military authorities,
- acts by common carriers, emergency conditions (including weather conditions) incompatible with safety or good quality workmanship, or
- any similar unforeseen event that renders performance commercially implausible.

If an event of force majeure occurs, the party injured by the other's inability to perform may elect to suspend the Agreement, in whole or part, for the duration of the force majeure circumstances. The party experiencing the force majeure circumstances shall cooperate with and assist the injured party in all reasonable ways to minimize the impact of force majeure on the injured party.

## Complete Agreement

These Terms along with the Purchase Agreement, sets forth the entire understanding between each Purchaser and Veritaseum LLC with respect to the the purchase and sale of Veritas.

For facts relating to the sale and purchase, the Purchaser agrees to rely only on these two documents in determining purchase decisions and understands that these documents govern the sale of Veritas and supercede any public statements about the Veritas Sale made by third parties, by Veritaseum LLC, or individuals associated with any of the Veritaseum Parties, past and present and during the Veritas Sale.

## Severability

The Purchaser and Veritaseum LLC agree that if any portion of these Terms or the Purchase Agreement is found illegal or unenforceable, in whole or in part, such provision shall, as to such jurisdiction, be ineffective solely to the extent of such determination of invalidity or unenforceability without affecting the validity or enforceability thereof in any other manner or jurisdiction and without affecting the remaining provisions of the Terms or Purchase Agreement, which shall continue to be in full force and effect.

## Waiver

The failure of Veritaseum LLC to require or enforce strict performance by the Purchaser of any provision of these Terms or the Purchase Agreement or Veritaseum LLC's failure to exercise any right under these agreements shall not be construed as a waiver or relinquishment of Veritaseum LLC's right to assert or rely upon any such provision or right in that or any other instance.

The express waiver by Veritaseum LLC of any provision, condition, or requirement of these Terms or the Purchase Agreement shall not constitute a waiver of any future obligation to comply with such provision, condition or requirement.

Except as expressly and specifically set forth in these Terms, no representations, statements, consents, waivers, or other acts or omissions by Veritaseum LLC shall be deemed a modification of these Terms nor be legally binding, unless documented in physical writing, hand signed by the Purchaser and a duly appointed officer, employee, or agent of Veritaseum LLC

## Updates to the Terms and Conditions of the Veritas Sale

Veritaseum LLC reserves the right, at its sole discretion, to change, modify, add, or remove portions of the Terms and the Purchase Agreement, at any time during the sale by posting the amended Terms on the its website. Any Purchaser will be deemed to have accepted such changes by purchasing Veritas.

The Terms may not be otherwise amended except in a signed writing executed by both the Purchaser and Veritaseum LLC For purposes of this agreement, "writing" does not include an e-mail message and a signature does not include an electronic signature.

If at any point you do not agree to any portion of the then-current version of the Terms, you should not purchase Veritas.

To the extent the Terms conflict with the Purchase Agreement, the Terms shall govern.

## Cooperation with Legal Authorities

Veritaseum LLC will cooperate with all law enforcement inquiries, subpoenas, or requests provided they are fully supported and documented by the law in the relevant jurisdictions. In accord with one of the core principles of the Veritaseum project transparency—Veritaseum LLC will endeavor to publish any legal inquiries upon receipt.

### Further Information

For further information regarding the Veritas sale, please contact [veritas@veritaseum.com](mailto:veritas@veritaseum.com).

# **Exhibit 8**



*Loans without banks. Trades without brokers.*

*Contracts without lawyers.™*

# Veritas Product Purchase Agreement



By purchasing Veritas (or “Ve”), the Purchaser expressly agrees to all of the terms and conditions set forth in the accompanying [Terms and Conditions of the Veritaseum Veritas Sale](#) (the “Terms”), which is incorporated by reference as if fully set forth herein, as well as this Veritas Product Purchase Agreement. All capitalized terms (e.g., “Veritas”, “Veritaseum Platform”, etc.) in this agreement will be given the same effect and meaning as in the Terms.

By purchasing Veritas (Ve), the Purchaser:

- represents and warrants that the Purchaser has an understanding that Veritas are redeemable solely to Veritaseum LLC, in bearer form, for various products and services offered by Veritaseum LLC, or to access various features or aspects of the Veritaseum Platform or other Veritaseum LLC software products;
- represents and warrants that the bearer of any Veritas is presumed to have title, that the identity of the redeemer or the original purchaser is not considered by (or even known to) Veritaseum LLC at the time of redemption, that Veritaseum LLC cannot identify or replace lost or stolen Veritas, and that the Purchaser bears sole responsibility for Veritas safekeeping;
- represents and warrants that the Purchaser has an understanding of the usage and intricacies of cryptographic tokens, such as Bitcoin (BTC), Ethereum (ETH) and blockchain-based software systems;
- represents and warrants that the Purchaser is legally permitted to purchase Veritas in the Purchaser’s jurisdiction and is legally permitted to receive products of US origin;
- represents and warrants that the Purchaser is of a sufficient age to legally purchase Veritas or has received permission from a legal guardian who has reviewed and agreed to these Terms;
- represents and warrants that the Purchaser will take sole responsibility for any restrictions and risks associated with the purchase of Veritas as set forth below;
- represents and warrants that Purchaser is not exchanging bitcoin (BTC) for Veritas for the purpose of speculative investment; and
- represents and warrants that the Purchaser is acquiring Veritas for the use of decentralized application services, advisement or consulting on the same, or the purchase of tokens specific to current and forthcoming decentralized applications on the Veritaseum Platform, or to facilitate development, testing, deployment and operation of decentralized applications on the Veritaseum Platform, or to support the development of the Veritaseum Platform.

Purchaser understands that there is no warranty whatsoever on Veritas, express or implied, to the extent permitted by law, and that Veritas are purchased on an “as is” basis. Purchaser also understands that Veritaseum LLC will not provide any refund of the purchase price for Veritas under any circumstance.



Purchaser further agrees to accept sole risk for the purchase of Veritas. The Purchaser recognizes that the Veritaseum Platform is presently being developed and may undergo significant changes before its final release, or may not undergo a final release at all.

In order to reduce the possibility of fraud, phishing attempts, and other schemes perpetrated by malicious third parties, Purchaser agrees not to respond directly to any inquiry regarding their purchase of Veritas, including but not limited to email requests purportedly coming from the veritaseum.com or similar looking domain(s). Purchaser understands that Veritaseum LLC may send Purchaser emails from time-to-time, but these email notices will never ask for information nor intend to require any direct email response from the Purchaser. If in doubt regarding a communication's veracity or authenticity, please contact [veritas@veritaseum.com](mailto:veritas@veritaseum.com).

Purchaser understands, that while Veritaseum LLC will make reasonable efforts to continue developing features of the Veritaseum Platform software, it is possible that a desired version of the Veritaseum Platform may not be released and there may never be an operational Veritaseum Platform with the desired features. It is also possible that even if Veritaseum LLC releases a desired version of the Veritaseum Platform, due to a lack of public interest in decentralized applications or the Veritaseum Platform itself, the Veritaseum Platform could potentially be abandoned or shut down for lack of interest. Purchaser further recognizes that Veritas may experience extreme volatility in pricing and periods of extreme difficulty in any third party transfers beyond Veritaseum LLC's control.

Purchaser also recognizes that the Veritaseum Platform may be operational for a short or extended period of time, and may subsequently be abandoned by Veritaseum LLC for a number of reasons, including a lack of interest from the public, a lack of funding, competing platforms that seek to develop decentralized applications, and competing non-affiliated services built on the same or similar underlying technologies.

Following the purchase of Veritas, Purchaser understands that if the Purchase Wallet, any wallet backup files, or Purchase Password is lost or stolen, the purchased Veritas associated with the Purchase Wallet or Purchase Password will be unrecoverable and will be permanently lost. Furthermore, Purchaser understands that there is no Veritaseum-controlled password recovery mechanism for lost passwords, so Veritaseum LLC will not be able to help Purchaser retrieve or reconstruct a lost password and provide the Purchaser with access to any purchased Veritas. Furthermore, Purchaser understands that it is not possible for Veritaseum to reconstruct a lost or stolen wallet, so Veritaseum LLC will not be able to help Purchaser retrieve or reconstruct a lost or stolen wallet and provide the Purchaser with access to any purchased Veritas.

Purchaser understands that Veritaseum LLC does not guarantee the continued or eventual availability of any of its products or services, and that Veritas may be or at any time become unusable for any purpose desired by the Purchaser at the time of purchase.



Purchaser understands that there is no assurance that, if the Veritaseum Platform is launched in production form, the Veritaseum Platform software will be stable, or that any of its associated products or services will be robust.

Purchaser understands that the Veritaseum Platform software developed may give rise to other, alternative, networks, products, or services, promoted by unaffiliated third parties, under which Purchaser's Veritas will have no value.

**THE PURCHASER ACKNOWLEDGES AND AGREES THAT, TO THE FULLEST EXTENT PERMITTED BY ANY APPLICABLE LAW, THE PURCHASER WILL NOT HOLD ANY OF THE VERITASEUM PARTIES LIABLE FOR ANY AND ALL DAMAGES OR INJURY WHATSOEVER CAUSED BY OR RELATED TO USE OF, OR INABILITY TO USE, VERITAS OR THE VERITASEUM PLATFORM UNDER ANY CAUSE OR ACTION WHATSOEVER OF ANY KIND IN ANY JURISDICTION, INCLUDING, WITHOUT LIMITATION, ACTIONS FOR BREACH OF WARRANTY, BREACH OF CONTRACT OR TORT (INCLUDING NEGLIGENCE) AND THAT NONE OF THE VERITASEUM PARTIES SHALL BE LIABLE FOR ANY INDIRECT, INCIDENTAL, SPECIAL, EXEMPLARY OR CONSEQUENTIAL DAMAGES, INCLUDING FOR LOSS OF PROFITS, GOODWILL OR DATA, IN ANY WAY WHATSOEVER ARISING OUT OF THE USE OF, OR INABILITY TO USE, OR PURCHASE OF, OR INABILITY TO PURCHASE, VERITAS.**

**THE PURCHASER FURTHER SPECIFICALLY ACKNOWLEDGES THAT VERITASEUM PARTIES ARE NOT LIABLE, AND THE PURCHASER AGREES NOT TO SEEK TO HOLD ANY OF THE VERITASEUM PARTIES LIABLE, FOR THE CONDUCT OF THIRD PARTIES, INCLUDING OTHER PURCHASERS OF VERITAS AND ANY THIRD PARTY INTERMEDIARY USED IN FACILITATING THE VERITAS SALE, AND THAT THE RISK OF PURCHASING AND USING VERITAS RESTS ENTIRELY WITH THE PURCHASER.**

**TO THE EXTENT PERMISSIBLE UNDER APPLICABLE LAWS, UNDER NO CIRCUMSTANCES WILL ANY OF THE VERITASEUM PARTIES BE LIABLE TO ANY VERITAS PURCHASER FOR THE PURCHASE OF VERITAS.**

The Terms and the Veritas Product Purchase Agreement govern the sale of Veritas and supersede any public statements about the Veritas Sale made by third parties or by Veritaseum LLC or individuals associated with any Veritaseum Parties, past, present and future.

Veritaseum LLC reserves the right, at its discretion, to change, modify, add, or remove portions of the Veritas Product Purchase Agreement, at any time. By posting the amended agreement on its website. Any Purchaser will be deemed to have accepted such changes by purchasing Veritas.

If at any point you do not agree to any portion of the then-current version of the Veritas Product Purchase Agreement, you should not purchase Veritas.



If a court or other tribunal determines that there is a conflict between the Veritas Product Purchase Agreement and the Terms, the provisions of the Terms shall govern.

Date April 25, 2017

# **Exhibit 9**

**From:** Monty Lost <montyy71@gmail.com>  
**Sent:** Sunday, October 29, 2017 7:52 AM  
**To:** Reggie Middleton <Reggie Middleton <reggie@veritaseum.com>>  
**Subject:** Re: Inquiry from Website

---

Good morning

Thank you for your mail.

Your reply is well understood.  
Hope you can invite me to your slack.

Greetings

Monty

On 10/29/17, Reggie Middleton <reggie@veritaseum.com> wrote:

> I can invite you to the slack channel for general customer discussion, but  
> purchasing or owning Veri does not make you an investor. Veritaseum is  
> utility software, not an investment in Veritaseum nor stocks or  
> representing of ownership in Veritaseum.  
> I want you to be clear on that before you are issued an invitation.

> --

>

> Cordially,

>

> Reggie Middleton

>

> Disruptor-in-Chief

>

> 1460 Broadway

>

> New York, NY 10036

>

> 212-257-0003 Office

>

> 718-407-4751 Cellular

>

>

>

> About Reggie Middleton:

>

> Sizzle reel [https://www.youtube.com/watch?v=\\_sJ0p8u1tsQ](https://www.youtube.com/watch?v=_sJ0p8u1tsQ)

>

> Wikipedia: [https://en.wikipedia.org/wiki/Reggie\\_Middleton](https://en.wikipedia.org/wiki/Reggie_Middleton)

>

> LinkedIn: <https://www.linkedin.com/in/reggiemiddleton>

>

>

> About Veritaseum - an interactive presentation:

> [https://docs.google.com/presentation/d/1FMynvogofqojqG6nkIjgvvjAnsWs1qOtKUFExvtp\\_m0/pub?start=false&loop=false&delayms=3000&slide=id.p](https://docs.google.com/presentation/d/1FMynvogofqojqG6nkIjgvvjAnsWs1qOtKUFExvtp_m0/pub?start=false&loop=false&delayms=3000&slide=id.p)

>

>

> Introducing the P2P economy (scroll down to see the content):

> <https://blog.veritaseum.com/index.php/34-projects/51-the-peer-to-peer-economy>

>  
>  
> Pathogenic Finance Research Report (contains patent application research):  
> <https://blog.veritaseum.com/index.php/download/research/send/4-research/313-pathogenic-finance>  
>  
>  
> Pathogenic Finance Video (synopsis of the above):  
> [https://youtu.be/\\_vf8-HI78pM](https://youtu.be/_vf8-HI78pM)  
>  
>  
>  
> On Oct 29, 2017 3:52 AM, "Monty Lost" <monty71@gmail.com> wrote:  
>  
>> Good morning Reggie  
>>  
>> Because I'm investor (225 veri) I would like an invite for slack,  
>> Hope that is possible  
>>  
>> Greetings  
>> Monty  
>>  
>



**From:** Reggie Middleton <reggie@veritaseum.com>  
**Sent:** Tuesday, June 6, 2017 4:32 PM  
**To:** ██████████ Middleton <██████████ Middleton <██████████@veritaseum.com>>  
**Subject:** Fwd: Investing in Veritaseum

---

Again, do the "investment" word sanitation I explained in the earlier email.

Cordially,  
Reggie Middleton  
Disruptor-in-Chief

**Veritaseum**

718-407-4751  
718-40RISK1

About Reggie Middleton:

Sizzle reel <https://www.youtube.com/watch?v=sJ0p8u1tsQ>

Wikipedia: [https://en.wikipedia.org/wiki/Reggie\\_Middleton](https://en.wikipedia.org/wiki/Reggie_Middleton)

LinkedIn: <https://www.linkedin.com/in/reggiemiddleton>

About Veritaseum - an interactive

presentation: [https://docs.google.com/presentation/d/1aIpJTTofcYIOpqpNNeCHNUTJ2ytSdWMs\\_12mrGayP8o/pub?start=false&loop=false&delayms=600000](https://docs.google.com/presentation/d/1aIpJTTofcYIOpqpNNeCHNUTJ2ytSdWMs_12mrGayP8o/pub?start=false&loop=false&delayms=600000)

Introducing the P2P economy (scroll down to see the content): <https://blog.veritaseum.com/index.php/34-projects/51-the-peer-to-peer-economy>

Pathogenic Finance Research Report (contains patent application research): <https://blog.veritaseum.com/index.php/download/research/send/4-research/313-pathogenic-finance>

Pathogenic Finance Video (synopsis of the above): [https://youtu.be/\\_vf8-HI78pM](https://youtu.be/_vf8-HI78pM)

----- Forwarded message -----

**From:** Lars Weber <lars.weber@momentum-group.com>  
**Date:** Tue, Jun 6, 2017 at 12:45 AM  
**Subject:** Investing in Veritaseum  
**To:** [reggie@veritaseum.com](mailto:reggie@veritaseum.com)

Dear Reggie,

I've been looking at Veritaseum since quite a while but I'm still having trouble to fully grasp the power of it. I was trying to buy the tokens during the ICO but found it a little to risky and complicated with the myetherwallet...

In the end I chickend out and didn't proceed. However, I wanted to ask how I could get involved and invest in the tokens from here onwards? Is it possible to buy them directly through you or will they be available on kraken, bittrex or any other exchanges soon?

It'd like to get involved with around USD 10,000 for a start to explore the possibilities with Veritaseum.

It'd be happy to hear from you and would like to wish you the very best of success!

Mit freundlichen Grüßen / with best Regards,  
Lars Weber - Momentum Invest Corp  
CEO

HP - Singapore: [+65 9116 5580](tel:+6591165580)

Email: [lars.weber@momentum-group.com](mailto:lars.weber@momentum-group.com)

Instagram: Momentum Invest Corp

Twitter: @\_momentumgroup

PS: Please excuse my brevity - this message has been sent via a smartphone

**From:** ██████████ Middleton <██████████@veritaseum.com>  
**Sent:** Thursday, June 8, 2017 12:21 AM  
**To:** Lars Weber <Lars Weber <lars.weber@momentum-group.com>>  
**Subject:** Re: Investing in Veritaseum

---

I can provide an address for you tomorrow but no you can not send from kraken because kraken does not support ERC20 tokens. You need to send from a wallet that supports these tokens because if you don't, when we send you your VERI back you may lose them.

On Jun 7, 2017 11:23 PM, "Lars Weber" <lars.weber@momentum-group.com> wrote:

Hi ██████████

Okay, thanks for the update. Could you please send me your wallet address?

And could I send to you from my Kraken Account? I know I can send it from there, but will my [kraken.com](http://kraken.com) account be able to receive VERI?

Thanks for the clarification on this.

Regards,  
Lars

Mit freundlichen Grüßen / with best Regards,  
Lars Weber - Momentum Invest Corp  
CEO

HP - Singapore: [+65 9116 5580](tel:+6591165580)  
Email: [lars.weber@momentum-group.com](mailto:lars.weber@momentum-group.com)  
Instagram: Momentum Invest Corp  
Twitter: @\_momentumgroup

PS: Please excuse my brevity - this message has been sent via a smartphone

---

**From:** ██████████ Middleton  
**Sent:** Thursday, June 8, 2017 9:19 AM  
**To:** Lars Weber  
**Subject:** Re: Investing in Veritaseum

---

You cannot send fiat due to regulation issues and you will simply send ETH to our wallet and we will send VERI back to that same wallet you sent with. Also, the rate has changed it is 10% above the market price on etherdelta at the time you send your ETH.

On Jun 7, 2017 8:50 PM, "Lars Weber" <lars.weber@momentum-group.com> wrote:

Dear ██████████,

Noted with thanks. I'll remember that there is a significant distinction between the investment and a software purchase.

I'm still interested to purchase the software. Could you explain to me on how exactly this could be done? And how we could proceed on this?

It'd be agreeable to purchase the software for up to 20k USD at a rate of 10 Veri to 1ETH. Is it possible to actually send fiat currency or must the transaction be done with ETH?

Looking forward to hearing from you.

With best regards from Indonesia,  
Lars

Mit freundlichen Grüßen / with best Regards,  
Lars Weber - Momentum Invest Corp  
CEO

HP - Singapore: [+65 9116 5580](tel:+6591165580)  
Email: [lars.weber@momentum-group.com](mailto:lars.weber@momentum-group.com)  
Instagram: Momentum Invest Corp  
Twitter: @\_momentumgroup

PS: Please excuse my brevity - this message has been sent via a smartphone

---

**From:** ██████████ Middleton  
**Sent:** Wednesday, June 7, 2017 10:44 AM  
**To:** [lars.weber@momentum-group.com](mailto:lars.weber@momentum-group.com)  
**Subject:** Re: Investing in Veritaseum

---

Hi Lars,

Before we continue please note that **if you are to buy Veritas from us you are purchasing software not making an investment**, if you still wish to continue we are only taking orders of 20k USD and above, at a rate of 10 VERI per ETH. You can also purchase VERI on a small exchange called [etherdelta](#).

██████████

**From:** John C <jcave46@yahoo.com>  
**Sent:** Thursday, June 22, 2017 4:42 PM  
**To:** ██████████ Middleton <██████████Middleton <██████████@veritaseum.com>>; Reggie Middleton <Reggie Middleton <reggie@veritaseum.com>>  
**Subject:** Re: misunderstandings  
**Attach:** Orders 2017-06-21 12-52-23.jpg; Aurinum Online Münzelhandel 2017-06-21 12-46-52.jpg; Lloyds Bank - View Product Details 2017-06-22 20-21-52.jpg; CHARLES FRENCH COMPLETION FINANCIAL STATEMENT..docx; Mr Cave-Memndoraum Of Sale.docx

---

HI ██████████

thanks for getting back to me so quickly.  
i would understand a denial for the reasons you have given, but i must say there has been a quite large misunderstanding of my general finances and an even larger one of my intended use of this purchase. Please would you allow me a further 2 minutes of your time to make a more thorough explanation.

*my intended use of the purchase:*

in the previous email my reference to the word 'invest' wasn't an appropriate terminology to use given that my understanding was/is the tokens themselves are simply a vehicle through which high quality forensic financial valuations can be purchased and benefited from through smart contract software, and in so doing can be brought to and accessed by end users, peer-to-peer and do away with middlemen. though i did use the word invest in my sentence '*Before deciding to invest the 50 ETHER i sent in the earlier ICO*' the meaning here was that the purchase would be a monetary outgoing, a monetary consideration that i was weighing against the expected returns from the use of smart contracts. i can assure you that i was specifically referencing the expected gains to be had from the smart contracts and NOT the tokens, not the vehicles used only to access the smart contracts. i think perhaps if my interest was limited purely to just the tokens i may have mentioned things like token 'appreciation', token value or the wish or intent to make money from selling tokens, or could have either asked, stated or at least shown some interest in what the tokens would be worth in future..

during reggies Q&A and AMA videos on youtube a couple of times when people suggested or had asked whether the tokens themselves were the investment he was very quick, clear and unambiguous in his reply, when buying VERI tokens we are buying access to tokenised software, the software and the smart contracts are the tokens end use and where the real value lays. below are two other things i wrote which were acknowledging the same.

*"im so glad to see people are more and more seeing and spreading the word about the potential that exists within this software"*

*"i see Reggies vision as not one that will merely 'survive' through the coming hard times, but actually THRIVE within them"*

my meaning here, when the bond, shares and stock markets have all collapsed, peer-to-peer 'locked-in' non-defaulting agreements will be seen as the only trusted way to do business.

My overall financial situation..

in the previous email i stated that the 200 ETH ''was all i had'', i should have more accurately included ''at this time'' at the end, but i was mindful of the fact that the institutions phase of buying access to this software may be drawing to an end at any time, because of this my liquid assets which were currently available were all that seemed relevant to mention.

in two to three weeks £55'000/\$70'000 of equity is being released when i exchange contracts with the buyer of my current house, and simultaneously that day make my purchase of a house thats £68'000/86'000 less than what im getting for my own home.

as proof of this iv attached both the estate agents memorandum of sale which states im receiving £495'000, and the solicitors final completion costings which details a £55'000/\$70'000 release of equity after all purchase costs and solicitors fees are deducted.

as well as this, i also have a \$31'000 silver bullion position (in my own possession, not in vault were i dont have control over it)

as proof of this please see the attached two screenshots of the silver bullion sites ''my order totals'' from two silver bullion dealers, the figures in these two screenshots add up to \$27'593

plus add a few smaller purchases of silver bullion coins from ebay suppliers and this takes my silver position to just a fraction under \$31'000

i also have some money stored away in my bank account which is purely in case hardship \$8415, again a screenshot is attached.

release of equity from home sale (2-3 weeks from now) \$70'000

silver bullion coin position (in own possession) \$31'000

money in my ''contingency'' bank a/c \$8415

current value of 200 ETH \$67'000

TOTAL \$174'415.00

Given that this is a more accurate understanding of my current (non residential) assets (or at least the assets which i am able to show proof of) please could i only now purchase a further 50 ETHER's worth of VERI smart contract financial software tokens?

if the worst were to happen, 50 ETHER is an amount i 'could' comfortably afford to lose.

my idea is to wait until after moving home when my mind is a little more settled (it's been a bit chaotic the last few weeks, and now even more so with so many things packed in boxes and inaccessible) then my intention is to start off with a portion of the equity released from the house sale to test the waters with one or two small smart contract agreements. Reggies idea of renting the tokens out is also very appealing, il be keeping a lookout for updates on that.

yours most sincerely

john cave

On Tuesday, 20 June 2017, 22:39, ██████████ Middleton <██████████@veritaseum.com> wrote:

Hi,

I am afraid I cannot accept your payment because you are trying to invest (this is a software purchase not an investment, please read the terms and conditions as well as the product purchase agreement below) and the fact that you state that it is your last dollar strongly hints that this product purchase may not be suitable for you. Whether you speculate on it or not is up to you but we can not be seen as marketing VERI as an investment, especially after explaining your situation. If you were to put your last dollar into VERI and it were to tank, as you said your self, your life would be on the line and you would not be able to make use of it as utility. We cannot, in good conscious, let you take such a big risk.



**From:** [REDACTED] Middleton <[REDACTED]@veritaseum.com>  
**Sent:** Tuesday, June 20, 2017 6:00 PM  
**To:** jennykre@gmail.com  
**Subject:** Re: Veritas Purchase help

---

You can not invest in Veritaseum, if you would like to buy Veritas software understand that you are making a purchase of software not an investment (please read the terms and conditions aswell as the product purchase agreement below) if you still wish to buy VERI you can purchase them on the small exchange etherdelta.

<https://docs.google.com/document/d/1pAr3IkPRdDVy2eCp1GCUvLVNRQ0ziLCxG3b3iR4NDys/edit>

[https://docs.google.com/document/d/11zvQuUKO18eqTg0b081xqFCNII\\_HJ04bErwz7PbSja0/edit](https://docs.google.com/document/d/11zvQuUKO18eqTg0b081xqFCNII_HJ04bErwz7PbSja0/edit)

**From:** [REDACTED] Middleton <[REDACTED]@veritaseum.com>  
**Sent:** Thursday, June 29, 2017 2:20 PM  
**To:** lornamaej@gmail.com  
**Subject:** Veritas Purchase

---

Please understand that in buying VERI you are purchasing software not investing in a company. In purchasing Veritas you will receive the price of \$90 per VERI. Please see our [Terms and Conditions](#) as well as our [Product Purchase Agreement](#).

[REDACTED]

**From:** ██████████ Middleton <██████████@veritaseum.com>  
**Sent:** Sunday, December 3, 2017 1:53 AM  
**To:** Jerikaseum3@xemaps.com  
**Subject:** Re: Tx Hash - Black Friday Sale  
**Attach:** Ripple\_Report\_June 19 2017 - Mgmt Proofed.pdf; Forensic Valuation\_Populous\_Final\_Oct 16 2017.pdf

---

██████████  
On Sat, Dec 2, 2017 at 1:49 AM, <[Jerikaseum3@xemaps.com](mailto:Jerikaseum3@xemaps.com)> wrote:

OK, ██████████.

Here it is:

Tx:? 0x7708052bc282f3490b427aa84c283260455333287526c6dbf9ebb87760cf3cb9

Thanks,

John King  
(from New Jersey)


---- On Fri, 01 Dec 2017 23:06:18 -0500? ██████████ Middleton <██████████@veritaseum.com> wrote ----

Ok,?send 1 VERI to the address below and give me the transaction hash once you are done.

0x6334e21254cb3D4A6CaDEbE326890FbCF0D3fD30

██████████  
On Thu, Nov 30, 2017 at 10:19 PM, <[Jerikaseum3@xemaps.com](mailto:Jerikaseum3@xemaps.com)> wrote:

Hi ██████████,

I know: I've heard your ██████████ explain that over and over! You guys are **NOT** selling me a stake in your company, but merely a token to purchase your software. Or your reports. It is my opinion (not yours) that your software tokens will be worth far more in a year than they are today. So I should buy as many ~~licenses of Microsoft Office~~... uh, I mean VERI tokens - as possible right now.? 

But I'm really curious what your reports are like. (The screenshots didn't seem something I'd like. But I'm still curious.)

So if I want to take advantage of your Black Friday deal, what do I do? Send 1 VERI to a certain address? And then email you the transaction ID? Or what exactly? I'm so curious what people/large corporations/hedge funds will find in your reports in the future that I think I'd like to take advantage of your PPT, XRP offer right now just so I can see for myself.

Please tell me what to do to participate in the Black Friday offer!

Thanks,

John

----- On Thu, 30 Nov 2017 21:14:28 -0500? [REDACTED] **Middleton** <[REDACTED]@[veritaseum.com](mailto:[REDACTED]@veritaseum.com)> wrote  
-----

Hi John,

Please note that when purchasing VERI you are not making an investment but buying software. As for the Black Friday?deal?you will get the Populous and Ripple reports.?

[REDACTED]

**From:** Reggie Middleton <reggie@veritaseum.com>  
**Sent:** Tuesday, June 6, 2017 4:27 PM  
**To:** [REDACTED] Middleton <[REDACTED] Middleton <[REDACTED]@veritaseum.com>>  
**Subject:** Fwd: Kind Regards

---

Warn him that this is a software purchase, not an investment that is being marketed to him. He's free to speculate on it if he desires, but that is not the nature of either the sale or the marketing,

Cordially,  
Reggie Middleton  
Disruptor-in-Chief



718-407-4751  
718-40RISK1

About Reggie Middleton:  
Sizzle?reel?<https://www.youtube.com/watch?v=sJ0p8u1tsQ>  
Wikipedia:[https://en.wikipedia.org/wiki/Reggie\\_Middleton](https://en.wikipedia.org/wiki/Reggie_Middleton)  
LinkedIn:<https://www.linkedin.com/in/reggiemiddleton>

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[https://docs.google.com/presentation/d/1aIpJTtofcYIOpqnPNcCHNUTJ2ytSdWMS\\_l2mrGAyP8o/pub?start=false&loop=false&delayms=600000](https://docs.google.com/presentation/d/1aIpJTtofcYIOpqnPNcCHNUTJ2ytSdWMS_l2mrGAyP8o/pub?start=false&loop=false&delayms=600000)

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Pathogenic Finance Research Report (contains patent application research):?  
<https://blog.veritaseum.com/index.php/download/research/send/4-research/313-pathogenic-finance>

Pathogenic Finance Video (synopsis of the above):[https://youtu.be/\\_vf8-HI78pM](https://youtu.be/_vf8-HI78pM)

----- Forwarded message -----  
From: **Syed Arif** <[saarif92@gmail.com](mailto:saarif92@gmail.com)>  
Date: Tue, Jun 6, 2017 at 12:48 AM  
Subject: Kind Regards  
To: [reggie@veritaseum.com](mailto:reggie@veritaseum.com)

Hello Reggie,

I hope this email finds you well and I would like to thank you and apologize to you for taking the time out of your busy schedule to read this notification. I want to come straight to the point and would like to say I am a firm firm believer in the work you and your team are doing. I was introduced to your technology just recently and I was in the process of buying my first cryptocurrency, due to this I missed out on the most important crowd sale of the century. I am just a young individual who has a finance background and has had difficulty finding a footing in this world. But I know one thing for sure is that your technology is the future and I am desperate to be a part of it not only for the technology, but for the potential implications it could have to my family and I. If you would be so kind as to give me an opportunity to invest in your technology me and my family would be forever indebted to you. What can I do to obtain VERI coins??

Kindest Regards,

Adeel Arif

--

**Adeel Arif**

Mobile: [\(419\) 350 2985](tel:(419)3502985)

Email: [saarif92@gmail.com](mailto:saarif92@gmail.com)

**From:** Reggie Middleton <reggie@veritaseum.com>  
**Sent:** Monday, May 22, 2017 10:06 PM  
**To:** Alon Mordechay <Alon Mordechay <amordechay@sigmai.com>>  
**Subject:** Re: Hello

---

We are not taking investors, but we are selling tokens that will allow interaction with our automated token purchases, access to our new dynamic research and as a result expose the "foreign" (as in non-US) token holders to the potential for capital gains. US entities cannot be marketed to in such a fashion, thus the value proposition for those stateside is strictly utility value.

Instructions to by our tokens can be found here <http://veritas.veritaseum.com/index.php/10-veritas-2017-crowdsale-step-by-step-instructions>

Cordially,  
Reggie Middleton  
Disruptor-in-Chief

**Veritaseum**  
©2017 Veritaseum LLC

718-407-4751  
718-40RISK1

About Reggie Middleton:

Sizzle reel <https://www.youtube.com/watch?v=sJ0p8u1tsQ>

Wikipedia: [https://en.wikipedia.org/wiki/Reggie\\_Middleton](https://en.wikipedia.org/wiki/Reggie_Middleton)

LinkedIn: <https://www.linkedin.com/in/reggiemiddleton>

About Veritaseum - an interactive

presentation: [https://docs.google.com/presentation/d/1aIpJTTofcYIOpqmPNeCHNUTJ2ytSdWMS\\_l2mrGAyP8o/pub?start=false&loop=false&delayms=600000](https://docs.google.com/presentation/d/1aIpJTTofcYIOpqmPNeCHNUTJ2ytSdWMS_l2mrGAyP8o/pub?start=false&loop=false&delayms=600000)

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Pathogenic Finance Research Report (contains patent application research): <https://blog.veritaseum.com/index.php/download/research/send/4-research/313-pathogenic-finance>

Pathogenic Finance Video (synopsis of the above): <https://youtu.be/vf8-HI78pM>

On Mon, May 22, 2017 at 1:52 PM, Alon Mordechay <[amordechay@sigmai.com](mailto:amordechay@sigmai.com)> wrote:

Hi Reggie,

Further our conversation, Pls send us clear instructions how can we invest in your project so I can update my investors accordingly.

Best Regards, Alon



# **Exhibit 10**

Reggie Middleton  
Full Member

Activity: 136  
Merit: 100

UltraCoin "Smart"  
Derivatives: The Future of Money

Trust: +0 / =0 / -0  
Ignore

Re: VERITASEUM DISCUSSION THREAD  
July 24, 2017, 01:05:34 PM

quote #1906

We were hacked, possibly by a group. The hack seemed to be very sophisticated, but there is at least one corporate partner that may have dropped the ball and be liable. We'll let the lawyers sort that out, if it goes that far.

Although I hate to see assets stolen, and I hate thieves, the incident proved both the resilient demand for our tokens and the utility of the decentralized exchange EtherDelta.

The hacker(s) made away with \$8.4M worth of tokens, and dumped all of them within a few hours into a heavy cacophony of demand. This is without the public knowing anything about our last traction.

I would like to make it known that we had the option to fork VERI, but chose not to. At the end of the day, the amount stolen was miniscule (less than 00.07%) although the dollar amount was quite material.

Another point that I would like to make clear is that Veritaseum tokens are software that represent our knowledge, advisory and consulting skills, products and capabilities. Without the Veritaseum team, the tokens are literally worthless! If someone were to someone confiscate 100% of the available tokens, all we need to do is refuse to stand behind them and recreate the token under a new contract. Again, we aren't selling currencies, we aren't selling securities. We are selling capabilities, and ability for those capabilities to connect parties P2P for the autonomous transfer of value. You can get away with a large securities heist, or a large currency heist. The Veritaseum team is what powers the value behind the Veritas token. A large theft of those tokens after a fork is as valuable as stealing 90M empty plastic cups.

The "marketcap" as the media likes to refer to, may seem high to those who don't understand how we employ platform economics, but those who understand should see that number as drastically undervalued. We have a roadshow for the NYC & Connecticut hedge funds next week. The Sr. partner of distressed credit of one of the world's largest funds specifically took the meeting after hearing about what we are doing. "This is big, very big" (that is an exact quote from the person who arranged the meeting, who is a 40 yr veteran of Wall Street, a literal brand name know by nearly every experienced professional - someone who had aggressively jumped on board team Veritaseum to assist in business development), for we are simultanesously lining up private and sovereign credits to Veritize. This is in addition to what may be our final meeting with one of the world's top ten securities exchanges to use our product. That is in addition to our Veritizing a medical practice as a showcase for doctors and healthcare biz pros around the world to emulate (using Veritas, of course). Think of us just capturing 50 basis points of all of the medical practices and related healthcare businesses in the world <https://www2.deloitte.com/content/dam/Deloitte/global/Documents/Life-Sciences-Health-Care/gx-lshc-2017-health-care-outlook-infographic.pdf>

Which will actually scale exponentially with out financial industry dealings (assuming we can capture .02% of that <http://www.investopedia.com/ask/answers/030515/what-percentage-global-economy-comprised-financial-services-sector.asp> We have already landed the Jamaican Stock Exchange as VERI client just 30 days after the Initial token offering. Actually, quite amazing...

Now, you can see how inconsequential the mere hack of a few million dollars



bitcointalk.org/index.php?topic=1887061.520

previous topic next topic

Pages: 1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 [27] 28 29 30 31 32 33 34 35 36 37 38 39 40 41 42 43 44 45 46 47 48 49 50 51 52 53 54 55 56 57 58 59 60 61 62 63 64 65 66 67 68 69 70 71 72 73 74 75 76 77 ... 187

reply | watch | notify | mark unread | print

Author: Reggie Middleton  
Full Member

Activity: 136  
Merit: 100

UltraCoin "Smart"  
Derivatives: The Future of Money

Trust: +0 / =0 / -0  
Ignore

Topic: VERITASEUM DISCUSSION THREAD (Read 243951 times)

Re: VERITASEUM DISCUSSION THREAD  
June 09, 2017, 05:48:13 PM

Quote from: btsfreak on June 09, 2017, 01:58:34 PM

My translation: This is token with a market cap of currently nearly 6 billion USD, and the developers are holding 98%. All big purchases in the future will be done from the developers directly thus will not hit the market and influence the market price positively.

Let me help your translation. If Silverman Sachs bank advises a Caribbean nation to purchase 5 million VERI to set up a token exchange and valuation service, then all activity in that exchange will need VERI. Demand will be organic and real, for participants will have to buy or borrow VERI to get down. You guys are still thinking small potatoes of playing tricks to spike prices on exchanges. Personally, I don't care to chase exchanges. My goal is to boost organic demand by offering products, services and solutions that are available nowhere else, then sate that demand with supply if (and only if) it overwhelms the existing market of VERI holders. If you are looking for trading profits, you are in the wrong place. This is a software solution, not an investment. If you feel misled or misunderstood this product, email us and we will gladly refund your purchase price upon the return of your product - no questions asked!

\*Link Removed\* : The Future of Money! A "Smart", Zero Trust, Peer to Peer, Decentralized derivative layer on top of Bitcoin!!!  
\*Image Removed\*



Moments Search Twitter Have an acco

**Reggie Middleton**  
@ReggieMiddleton Follow

Updated Populous (PPT) valuation/analysis available for 1.5 VERI: Includes token valuation for global operations (not just UK), combines utility value (sets up global factoring economy values) with economic network effect. Heady stuff! Email reggie at [veritaseum.com](mailto:reggie@veritaseum.com)

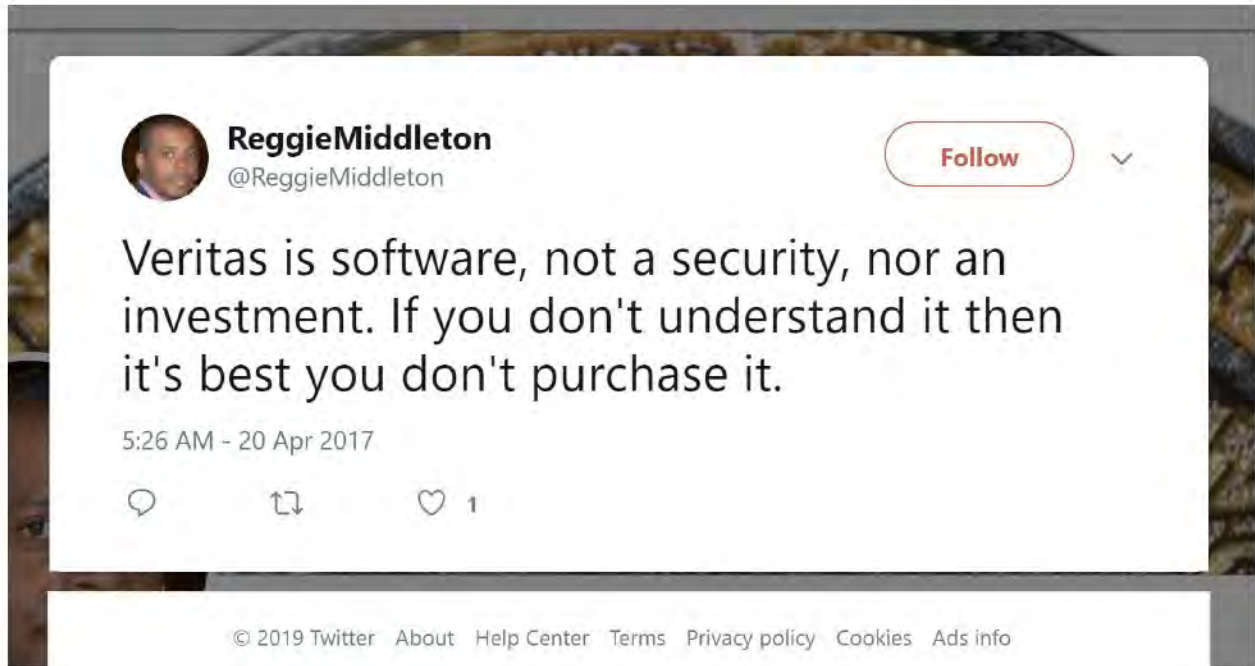
10:01 AM - 4 Dec 2017

29 Retweets 91 Likes

9 29 91

**Hallvard Viken** @HallvardViken · 28 Dec 2017  
Replying to @ReggieMiddleton  
Where on the website do I find this report? All I see is Gnosis...









**Veritaseum**  
@Veritaseuminc

Follow



Watch "VERI, VeADIRs & Disruption: Utility Trumps Speculation" on YouTube Live. Big gains in VERI retail price may mask the message & true value of our products/services. VERI's not an investment & more is to be gained from using it than speculating in it.



**VERI, VeADIRs & Disruption: Utility Trumps Speculation**  
[youtube.com](https://www.youtube.com)

1:07 PM - 2 Jan 2018

14 Retweets 42 Likes



2



14



42



**Trekk. (No Letters Before or After My Name)** @SmartTrek... · 2 Jan 2018

Replying to @Veritaseuminc

Reggie those who have been down for a while get. The rest will come to learn about it lol.





**Veritaseum**  
@Veritaseuminc

Follow

If UR concerned about large \$VERI reserves, UR confusing utility software (appcoin) with dilutable investments (ie. stock). Not an investment

Dear Mr. Reggie Middleton,

It is my pleasure to get to know about you as well as your company. I has become very interested in the Veritaseum token for the last 2 weeks, doing research in the concept behind it. However, I am wondering about the total supple of 100 million token. Putting it on the scale of the available amount of token right now and its price, a simple multiply calculation shows that it's gonna be around 8 billion dollars in total. This scares me abit ,thinking about this level of scalability. My concern is if I buy in Veritaseum token longterm, and you release more tokens. The price will drop. Can you give me a fair explanation on your plan of releasing them and the scalability problem I've just mentioned? Thank you for your time!

Best Regards,

Interested follower

Dear Interested Follower:

You are thinking of Veritaseum as an investment such as a stock with dilution and accretion characteristics. Veritaseum is not an investment, it's consensus network-based platform software with true utility value. Investments such as stocks don't have utility value above and beyond speculation (and yes, financial investment is speculation, and there is nothing wrong with that). Software networks and platforms actually increase in value the more they are distributed and used, versus decreasing (such as dilution in a stock). As the utility that Veritas (the token of Veritaseum) is discovered, demand for said utility, hence the token, will increase and the supply of Veritas in reserve will go to meet said demand. It's as simple as selling a product!

We are working to demonstrate the utility value of Veritas to financial institutions, startups, large corporations and sovereign entities as I type this reply. I'm flying to Jamaica tomorrow morning to do just that,

6:05 AM - 25 Jun 2017

9 Retweets 10 Likes

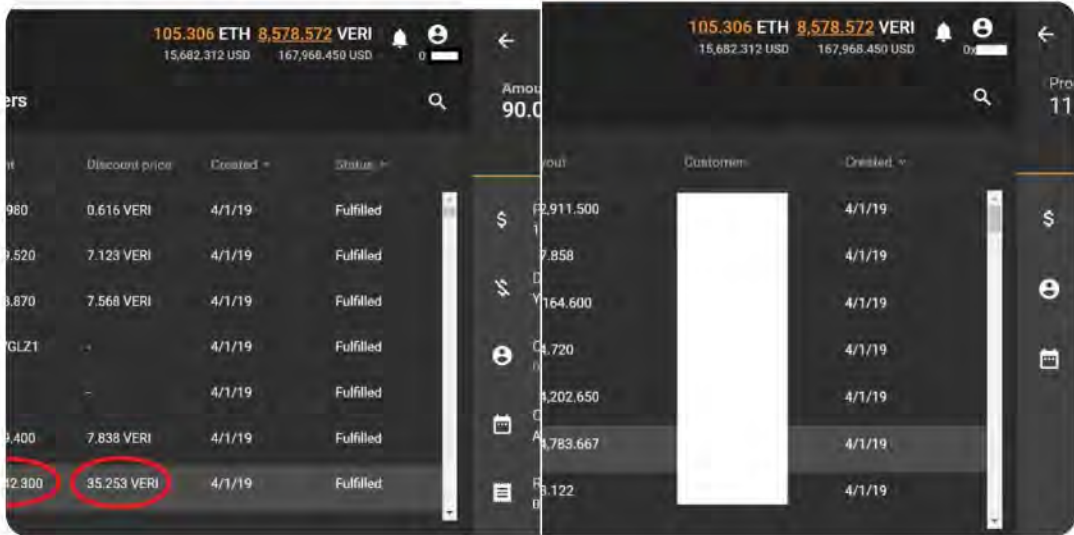




**Veritaseum**  
@Veritaseuminc

Follow

Watch a TRUE UTILITY token in ACTION, users buying/selling PMs in seconds (not days)!  
\$VERI enables the most COST EFFECTIVE purchasing of liquid PMs through VeADIR technology [twitter.com/ReggieMiddleto ...](https://twitter.com/ReggieMiddleto)  
\$VERI makes ILLIQUID assets, liquid, cheaper & faster [twitter.com/ReggieMiddleto ...](https://twitter.com/ReggieMiddleto)



5:55 AM 2 APR 2019







**Jason** @LibertyWins · 18 Aug 2018



It seems to have become trendy to hate on #ICOs. I get it. Easy target. Lots of failed projects & even outright scams. However, select **utility** tokens/projects with the right use cases have a significant role to play in our economy & in the #crypto space.

#Populous @Veritaseuminc





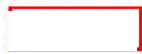
**Veritaseum** @Veritaseuminc · 5 Jan 2018

Clarification regarding my last tweet on VeADIR portfolio. VERI is listed in VeADIR, but be aware that VERI is necessary for VeADIR to operate. Without VERI, there is no VeADIR. For those confused about VERI as an investment vs a **utility**, see this video [youtube.com/watch?v=vY5CRJ...](https://www.youtube.com/watch?v=vY5CRJ...)

The screenshot displays the Veritaseum VeADIR portfolio interface. At the top, the total portfolio value is shown as \$1,835,571.425. Below this, a table lists the portfolio content:


Asset	Quantity	Price	Value
VERI	10,011,000	\$369.540	\$3,699,464.940
Ethereum	2,009,240	\$983.090	\$1,975,263.751
Veri.Bitcoin	98,999	\$14,722.410	\$1,457,513.304
Populous	1,000,000	\$46.410	\$46,410.000
OmiseGo	200,000	\$20.990	\$4,198.000

Below the portfolio content, the total value is shown as \$7,182,849.986. The interface also shows the latest trades for VeADIR, including purchases of BNT, VERI, and ETH tokens.









**ReggieMiddleton**  
@ReggieMiddleton Follow


Clarification regarding my last tweet on VeADIR portfolio. VERI is listed in VeADIR, but be aware that VERI is necessary for VeADIR to operate. Without VERI, there is no VeADIR. For those confused about VERI as an investment vs a utility, see this video [youtube.com/watch?v=vY5CRJ...](https://www.youtube.com/watch?v=vY5CRJ...)

This media may contain sensitive material. [Learn more](#) View

6:05 AM - 5 Jan 2018

27 Retweets 75 Likes


3 27 75



**Cryptdose [LTC]** @cryptdose · 5 Jan 2018  
Replying to @ReggieMiddleton

Reggie I know VeADIR exposure is not open ended. For example 1 VERI exposure over 1 quarter 4 months: end of that quarter do you get that 1 VERI back with your ETH profits or does that 1 VERI go back to Veritaseum (you)? Thank you.

1 1 1



**ReggieMiddleton** @ReggieMiddleton · 5 Jan 2018

VERI fees are always redeemed back to Veritaseum. In a contract rent scenario, VERI that is rented out is due back to the RENTER, but there are still fees payable for access to the contact for all parties.

2 1 4

# **Exhibit 11**





**ReggieMiddleton**

@ReggieMiddleton

Follow



Veritas is software, not a security, nor an investment. If you don't understand it then it's best you don't purchase it.

5:26 AM - 20 Apr 2017



1



# **Exhibit 12**

**From:** Reggie Middleton <reggie@veritaseum.com>  
**Sent:** Monday, May 22, 2017 10:06 PM  
**To:** Alon Mordechay <Alon Mordechay <amordechay@sigmai.com>>  
**Subject:** Re: Hello

---

We are not taking investors, but we are selling tokens that will allow interaction with our automated token purchases, access to our new dynamic research and as a result expose the "foreign" (as in non-US) token holders to the potential for capital gains. US entities cannot be marketed to in such a fashion, thus the value proposition for those stateside is strictly utility value.

Instructions to by our tokens can be found here <http://veritas.veritaseum.com/index.php/10-veritas-2017-crowdsale-step-by-step-instructions>

Cordially,  
Reggie Middleton  
Disruptor-in-Chief

**Veritaseum**  
©2017 Veritaseum LLC

718-407-4751  
718-40RISK1

About Reggie Middleton:

Sizzle reel [https://www.youtube.com/watch?v=\\_sJ0p8u1tsQ](https://www.youtube.com/watch?v=_sJ0p8u1tsQ)

Wikipedia: [https://en.wikipedia.org/wiki/Reggie\\_Middleton](https://en.wikipedia.org/wiki/Reggie_Middleton)

LinkedIn: <https://www.linkedin.com/in/reggiemiddleton>

About Veritaseum - an interactive

presentation: [https://docs.google.com/presentation/d/1aIpJTTofcYIOpqmPNeCHNUTJ2ytSdWMS\\_l2mrGAyP8o/pub?start=false&loop=false&delayms=600000](https://docs.google.com/presentation/d/1aIpJTTofcYIOpqmPNeCHNUTJ2ytSdWMS_l2mrGAyP8o/pub?start=false&loop=false&delayms=600000)

Introducing the P2P economy (scroll down to see the content): <https://blog.veritaseum.com/index.php/34-projects/51-the-peer-to-peer-economy>

Pathogenic Finance Research Report (contains patent application research): <https://blog.veritaseum.com/index.php/download/research/send/4-research/313-pathogenic-finance>

Pathogenic Finance Video (synopsis of the above): [https://youtu.be/\\_vf8-HI78pM](https://youtu.be/_vf8-HI78pM)

On Mon, May 22, 2017 at 1:52 PM, Alon Mordechay <amordechay@sigmai.com> wrote:

Hi Reggie,

Further our conversation, Pls send us clear instructions how can we invest in your project so I can update my investors accordingly.

Best Regards, Alon

# **Exhibit 13**

# Veritaseum



As many know Veritaseum has recently offered its own software token for sale. Unlike most other token offerings, Veritaseum is offering its token as a literal product - both as a vehicle to access their advisory and consulting services and as the keys to access its existing and future blockchain-based software products. We are much more anxious to release tokens as a product than a potential investment, because we are so excited about the possibilities now available through smart contract and blockchain technology.

We feel we can offer our constituents significantly more value in doing things through our tokens versus having them invest in the promise of something getting done via the token. Let me show you from a historical perspectives.

Here's a timeline leading up to where we are now...

1. 2009 - at the same time, Satoshi Nakamoto releases [his whitepaper](#) on durable digital money - Bitcoin
2. 2014 - [Ethereum is founded](#), alpha testnet launched in 2015
3. 2017 Ethereum offers enough utility to gather [direct support from Microsoft](#) as well as indirect support from majority of major technology players
4. 2017 Bitcoin has [\\$27B network value](#), it's technology - blockchain - all the rave in the media, financial system and Fortune 500 companies.
5. 2017 Institutional finance begins to [explore digital assets for inclusion in portfolio](#)

## What makes Veritas different?

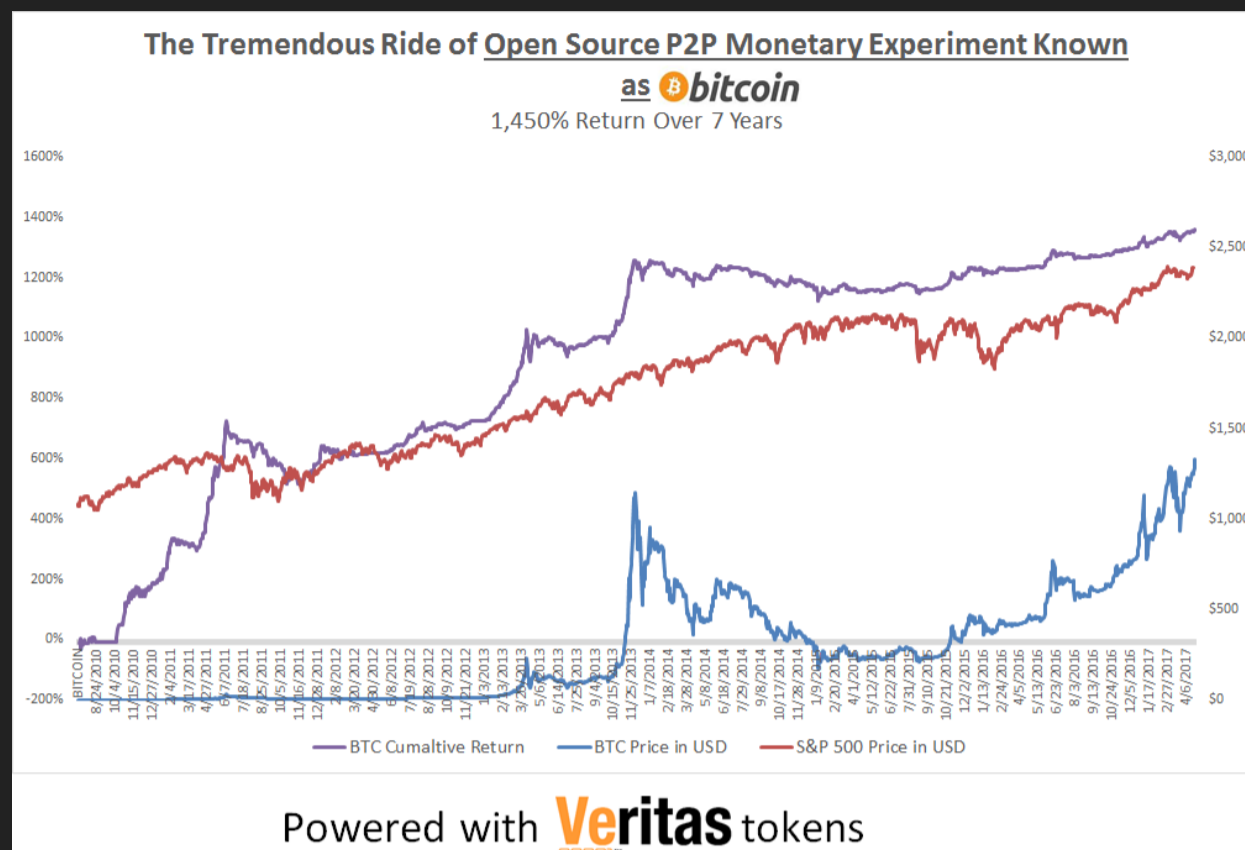
Most of the popular token offerings have several things in common:

1. They are a not-for-profit foundation
2. Said foundation sponsors a token-powered open source platform designed to operate at persistent break-even
3. As compensation from the platform developers are derived from potential token appreciation instead of traditional revenues and profits. This tends to benefit token holders as well, as most of them speculate on the price increase of said tokens and prioritize that over actual token functionality.
4. In order to maximize potential token value, the platform developers need to maximize use of their platform and acceptance of their token
5. Since the primary economic compensation for platform developers is price appreciation of their tokens (which they usually retain a sizeable portion), traditional revenue streams and margin management are not even afterthoughts.

Veritaseum tokens, Veritas, are marketed as specific software solutions to specific problems, and not as investments. We feel the solutions to the problems that we address are significantly more valuable than any potential financial investment return alone. The first product to be released on the Ethereum blockchain will be our interactive, dynamic research platform. Traditional research consists of papers, PDFs and charts, with an occasional phone call for the very well-heeled clients. Most importantly, it is mostly wrong or uninspiring regurgitation of management's proclamations, with not unique or independent investigation. Veritaseum research is real, in depth forensic analysis and adaptive valuation that the customer actually experiences and participates in, not reads. It's delivered through smart contract, and it acts upon its own recommendation, [giving the customer the ability to follow along](#) via Veritas tokens.

As a matter of fact, from an economic value-added perspective, our solutions have an economic return that is potentially greater than the historical financial ROIs of the most popular and successful token offerings to date.

Those who invested in bitcoin at its inception and held on enjoyed 1,450% return. That's good! It blows out the 600% (QE/NIRP bubble powered) returns of the broad US equity markets. Bitcoin's utilitarian value has been limited, though, and despite this it still soared! We differentiate these values here at Veritaseum. Bitcoin is (relatively, among other cryptocurrencies) widespread, allowing it to enjoy significant economic network value. Its technical platform value is significant in comparison what many fiat currencies currently ride, but...

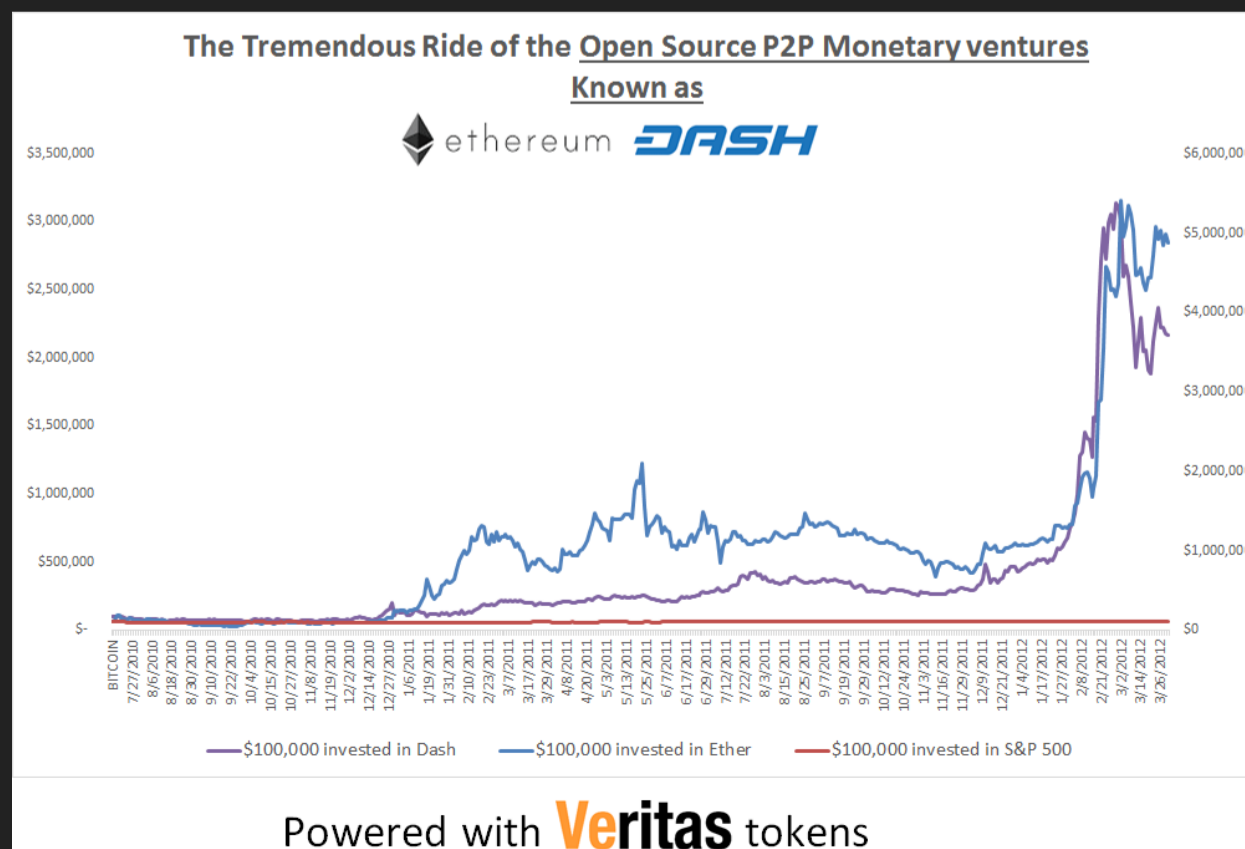


It is paled by smaller, yet more nimble (due to a more streamlined governance system) competitors for mindshare such as Ethereum and Dash. Both of these platforms have actually outperformed bitcoin in ROI, and have done so in a shorter amount of time than bitcoin's ascendance to the 4 digit return realm.

[Dash is a digital currency system](#), primarily designed around remittances and payments, that answers many of bitcoin's original shortcomings, but introduces others of its own (nothing's perfect).

[Ethereum](#) is a world computer that allows users to run "unstoppable applications" as smart contracts on a decentralized network. Again, it's not without its problems either, but we at Veritaseum, have launched our token off of this platform - transferring our apps and from the Bitcoin blockchain to Ethereum's, but still maintaining exposure to the Bitcoin network through network bridges.

Both Ethereum and Dash have significant network utility value (greater than that of Bitcoin's) but pale compared to bitcoin in economic network value. Interestingly enough, they are gaining on Bitcoin in terms of network effect while Bitcoin is closing the gap on them in terms of utility value.



We believe that Veritaseum and its Veritas tokens offer the best of both worlds, riding the network effect of the widespread bitcoin network, and harnessing the adaptive power of Ethereum's smart contracts engine. Other differences come into play as well. Veritaseum seeks to maximize economic profits, not just the value of the token for actual or potential investors. This portends different operating strategies, but at the end of the day, if you produce a superior product and it's recognized by your constituency, then the recognition is manifested in a higher token price (supply and demand). Of course, if you immune to the vagaries of revenues and profits, then you can potentially have divergence of interests between majority token holders who solely want tokens to increase in value (even if that increase comes at the price of volatility) and average customers who benefit from stable token values and even more from significant utility values.

Veritaseum's hybrid approach makes sure the users of the app comes first, and their significant satisfaction practically guarantees higher token values (not just speculative price, but actual value) because the tokens are needed to use the products and services. Even though this is true to some extent with the token value-only compensation model, it can lead to some nasty conflicts (ie. volatility, pushing for early trading pops, etc.).

We feel the greater bridge to utility that Veritaseum brings to knowledge is at least as strong a value add as that offered by Ether and Bitcoin, arguably more in many cases for Veritaseum is an end user's tool while many others are development platforms. Veritas can be put to use immediately, by anyone, anywhere, for any amount and for practically any amount of time.

Assuming those that have knowledge and those that pursue knowledge cross that bridge to greater understanding that is Veritas and it rivals that of Ethereum, today's roughly \$3.30 purchase of VERI tokens could yield ( $\$3.30 \times 5,000\% =$ ) \$165, Now, the question is... If we do achieve such, did we drive that number from actual utility value in the use of our product or speculative activity? I will let you be the judge of that as we release our first bit of interactive forensic research (research that, itself goes long or short a digital asset) on Gnosis (GNO) over the upcoming weeks. Of course you will need Veritas to access the financial machines that enable this. For those who have never seen our [research or its results](#), look at our recommendations to [short BlackBerry](#) and go [long Google](#) (these are two of about 86 calls over the last 10 years, which includes nearly every major bank failure in the US and the largest real estate market crashes and REIT bankruptcies).

I personally believe this is but a footnote in the story of evolutionary value exchange. Unlike most other token offerings, we are not positioning Veritas as financial investment opportunity, we are positioning it as a bridge to greater understanding in finance and investment, the ultimate fintech vehicle.

## The Veritas 2017 Token Offering Summary

The [Veritas Tear Sheet & Summary](#) is now available for download, which packs all the information about Veritas in to a single page.

A step by step guide to purchasing Veritas can be [found here](#).

Explanatory videos:

[Deep Dive into Veritaseum P2P Capital Markets: Pt 1, the Basics](#)

[Deep Dive into Veritaseum P2P Capital Markets: Pt 2, Rise of the Financial Machines](#)

[Deep Dive into Veritaseum P2P Capital Markets: Pt 3, Wall Street's Skynet!](#)

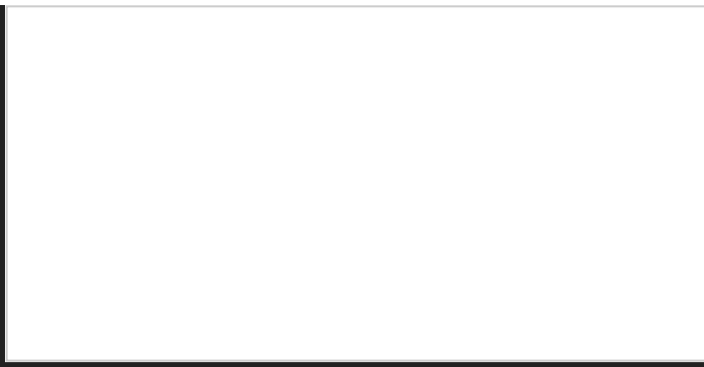
Add comment

Name

E-mail (required, but will not display)

Website





4000 symbols left

Notify me of follow-up comments



↻ Refresh

Send

JComments

Veritaseum



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# **Exhibit 14**

**From:** Reggie Middleton (via Google Sheets) <reggiemiddleton.com@gmail.com>  
**Sent:** Thursday, June 1, 2017 7:13 AM  
**To:** [REDACTED]@veritaseum.com  
**Subject:** Digital Assets Portfolio Tracker - Invitation to comment

---

Reggie Middleton has invited you to **comment** on the following spreadsheet:



## Digital Assets Portfolio Tracker



As we start to build a market for VERI, we have a guideline for pricing. Daniel just paid

\$132,000 for VERI at .1. It may look like he overpaid, but remember there is currently no where to get that much in bulk, and the Etherdelta market is not accurate because of the very, very low volume. I will try to push more volume in.

Just look at the total value, although the number may not hold in reality, it brings a smile to your [REDACTED] face. This time next month, I'll probably have all (as in every single) hip hop and rap star/producer beat in net worth - and I don't even own a car or gold chain. But I do hold patents pending and a burgeoning business that challenges Wall Street. That's how I want every young black man and woman to think!

[Open in Sheets](#)

Google Sheets: Create and edit spreadsheets online.

Google Inc. 1600 Amphitheatre Parkway, Mountain View, CA 94043, USA

You have received this email because someone shared a spreadsheet with you from Google Sheets.



# **Exhibit 15**

Welcome, **Guest**. Please [login](#) or [register](#).

**News:** Latest Bitcoin Core release: [0.18.0](#) [Torrent] **(New!)**



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41 [Alternate cryptocurrencies / Announcements \(Altcoins\) / Re: VERITASEUM DISCUSSION THREAD](#) on: June 03, 2017, 02:37:49 PM

**Quote from: AltCity on June 01, 2017, 01:46:23 PM**

From Reggie:  
*Midweek next week, we will release a forensic valuation report for Augur, the prediction market platform, for 100 VERI to those who are interested. We released their most obvious (and very well-funded) competitor, Gnosis' valuation for free (see above).*  
<http://veritas.veritaseum.com/index.php/18-congrats-and-thank-you-to-all-those-who-participated-in-our-veritas-sale-2>

The Augur report has been completed for weeks. It's waiting my final QA, but we've been absolutely swamped due to allowing users to purchase Veritas manually. Over 4k in total transactions, and about 3/7th manual. A 3rd of those didn't read the directions and the cue has grown significantly. Anybody who sent us ETH timely will get their tokens. If you insist on sending ETH to the manual address after we have clearly (and we have, clearly) indicated that the initial sale was over, then you should consider the ETH you sent in a donation. It takes manpower to return the ETH, and we cannot do this indefinitely. as of the end of the week, we will no longer return ETH arbitrarily sent to that deprecated manual address.

I will release the Auguer report early next week. The Ripple report is asking some very hard hitting questions, and we are awaiting the CEO's response. Dash will be following Ripple, and the core dev team CEO has been very cooperative.

42 [Alternate cryptocurrencies / Announcements \(Altcoins\) / Re: VERITASEUM DISCUSSION THREAD](#) on: June 03, 2017, 02:27:26 PM

**Quote from: Fern on June 01, 2017, 01:30:31 AM**

Reggie, I see that Vinny Lingham is offering his Civic (CVC) tokens initially via ERC20 Ethereum tokens but will switch to Rootstock/Bitcoin at a later date. Rootstock because they believe bitcoin is the safer option.

Is this your plan also or are you fully committed to Ethereum?

We are, and plan to remain, blockchain agnostic. Since we do not make or sell blockchains, we do not want to pin our success to that fight. We choose the best prospects, and as resources permit we will push to go cross chain.

43 [Alternate cryptocurrencies / Announcements \(Altcoins\) / Re: VERITASEUM DISCUSSION THREAD](#) on: June 03, 2017, 01:43:11 PM

I was looking at the Dash interview of Erik Voorhees and his description of Shapeshift on YouTube- <https://youtu.be/8geYzLwKes8>  
This is a comment that I left.....

I would love to have you interview me. We've implemented the exact system that Prism seems to be espousing... but 4 years ago, reference <https://blog.veritaseum.com/current-analysis/1-blog/93-translating-goldman-sachs-2015-recommendations-as-ultracoin-trade-setups-pt-3>. We are also doing a full forensic analysis of Dash - the network, investment opportunity for Masternode holders and the token. We've even interviewed the core dev team CEO... twice. See what we've done with This is here <http://veritas.veritaseum.com/index.php/16-the-gnosis-gno-forensic-analysis-and-valuation-report-our-inaugural-digital-asset-research-release>

Augur will be released by Monday, end of day and Ripple the following week, followed by Dash. The only way to access these reports is through Veritas.

44 [Alternate cryptocurrencies / Announcements \(Altcoins\)](#) / [Re: VERITASEUM DISCUSSION THREAD](#) on: May 31, 2017, 03:32:47 PM

Testing EtherDelta as a method of distributing post-Offering Veritas tokens. Anyone intersted in buy VERI please visit <https://etherdelta.github.io> and let me know

45 [Alternate cryptocurrencies / Announcements \(Altcoins\)](#) / [Re: VERITASEUM DISCUSSION THREAD](#) on: May 30, 2017, 07:09:39 AM

**Quote from: azmojo on May 30, 2017, 02:11:08 AM**

I'm having a hard time comprehending why or how, for example, a chain of medical practices would use VERI. Can someone (Reggie or anyone else) provide the elevator pitch for a medical practice chain to use VERI? Realizing that the person receiving the pitch likely knows nothing about crypto...

Medical practice liquidity pool

Doctors and doctor's practice buy VERI

Doctor's practice redeems VERI to Veritaseum for conducting to create smart contract to tokenize value from practice

This system gives doctors materially more liquidity in both their own practices and the market to buy, sell or atomically invest in/divest from other doctor's' practices Those doctor's looking towards retirement can have partial and periodic liquidation, and noobs coming in can efficiently buy their way into existing practices or have their new practices funded by experienced veterans.

This effectively is a legal market to trade medical practices and procedure businesses legally amongst other qualified participants.

I spent the weekend with a bunch of doctors alternatively arguing about Trump and how best to set this up among a bunch of guys with successful practices. We're aggressively looking for practices and investors (ie. wealthy doctors, and private equity) who want to give this a spin. I will make it very easy for them and even subsidize much of it the first time around. As a community, I ask you all to reach out to those who you know and act as Veritaseum's grass roots marketing arm.

46 [Alternate cryptocurrencies / Announcements \(Altcoins\)](#) / [Re: VERITASEUM DISCUSSION THREAD](#) on: May 30, 2017, 12:13:26 AM

**Quote from: KalleAnka on May 26, 2017, 09:01:07 PM**

My question is - will the floating supply of VERI tokens only ever be about 1 million or about 1% of total supply?

This is about the amount that was issued in the ICO to my knowledge - about 35K ether at 30-1 out of 100 million supply.

My understanding is that the rest of the supply will be sold to institutions directly. Those tokens

will then be used by said institutions to purchase research or run smart contracts and not released onto exchanges.

The reason an institution may use an exchange would be to either

- 1) Sell some tokens because they no longer find them to be useful (bad sign)
- 2) Buy tokens if they are trading below price of buying directly (which would take additional supply off the market)

Is this logic correct? Any thoughts?

We sold many more than you quoted, closer to 60k eth or more. We need a large supply of tokens. Remember, they are appcoins and utility software, and a dearth of token supply would lead to an inoperable machine. We have been talking to chains of medical practices, caribbean governments, private equity and hedge funds in a move to get them to trade value via Veritas. Each institution that adopts Veritas raises the value of the ecosystem X times, thereby injecting value into each Veritas. We will not attempt to artificially limit the supply to give an appearance of increased demand. That's scammy. Much more money is to be made by actually increasing value through demand sourced from true problem being solved

Until liquidity improves, most institutions would rather source large blocks OTC than go through an exchange.

47 [Alternate cryptocurrencies / Announcements \(Altcoins\) / Re: VERITASEUM DISCUSSION THREAD](#) on: May 26, 2017, 07:35:48 PM

**Quote from: Deanero on May 26, 2017, 07:11:42 PM**

Looking back at my earlier messages, I realise i was being unreasonable.

Apologies, but I really was quite annoyed that I missed this ICO. This will be the first ICO i invested in since LISK.

I thinkthis project could be one of the best long term investments to date, par ETH.

I'll delete my previous messages.

Thank you Reggie for extending the ICO. Much appreciated.

Actually, although I didn't appreciate your first message, I really do appreciate you being a gentleman and a man about it. Honestly!

48 [Alternate cryptocurrencies / Announcements \(Altcoins\) / Re: VERITASEUM DISCUSSION THREAD](#) on: May 26, 2017, 07:10:00 PM

As a community, you can help the process by petitioning your favorite exchange to list VERI, and feel free to point to the GNO research and suggest that summarized forms of such can be offered for many of the tokens they trade. At the end of the day, paying customers have the loudest whispers.

<http://veritas.veritaseum.com/index.php/16-the-gnosis-gno-forensic-analysis-and-valuation-report-our-inaugural-digital-asset-research-release>

49 [Alternate cryptocurrencies / Announcements \(Altcoins\) / Re: VERITASEUM DISCUSSION THREAD](#) on: May 26, 2017, 06:49:54 PM

**Quote from: BTCBusinessConsult on May 26, 2017, 06:40:34 PM**

Even tho I think the project is a good one with some good real tech, I feel the fatal flaw will be the lack of distributed tokens.

I would feel alot better about this ICO if there were millions more tokens released.

We sold a lot of tokens. It was actually one of the best tokens sales to date - if not the best! Keep in mind, we didn't play any games - no presales, no hidden discounts to institutions (actually, the individuals got 1st crack at it), 3rd party roadshow marketers (except for paying for advertising after the fact). Demand was extreme, trust me... I'm exhausted. We could've easily pushed the \$25M market over the next week, but that would be antithetical to our thesis of adding value. This was not a money grab, it was an opportunity to get enough tokens out into the wild to buttress a new way of value and knowledge transfer through distributed software systems. Next up, we will aggressively market to hedge funds, family offices and UHNWs. I will explain in detail in later posts.

Unlike many other initial token offerings, we have a lot to offer upfront, and we will start doing so after I take the weekend off. Reference <http://veritas.veritaseum.com/index.php/18-congrats-and-thank-you-to-all-those-who-participated-in-our-veritas-sale-2>

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50 [Alternate cryptocurrencies / Announcements](#) (Altcoins) / [Re: VERITASEUM DISCUSSION THREAD](#) on: May 26, 2017, 06:27:58 PM

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We will honor any ETH sent to the manual address for the day, up until 9:30 pm EDT (eastern standard time). Email [veritas@veritaseum.com](mailto:veritas@veritaseum.com) to get the manual address. Please be very, very careful of spoofing or phishing attempts. They have been tried more than once. Any email sent from our domain has an SSL seal on it with a domain name that EXACTLY matches our domain name on the site. We cannot be responsible for phishing attacks or spoofs, and there are plenty bad guys out there.

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51 [Alternate cryptocurrencies / Announcements](#) (Altcoins) / [Re: VERITASEUM DISCUSSION THREAD](#) on: May 22, 2017, 03:21:59 AM

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The Gnosis valuation report is ready for distribution - sitting on my desk right now. I'm considering offering it has a free sample to demonstrate what we are capable of. If I do such, it will be via livestream at the Consensus even tomorrow in NYC.

The Augur report is also finished and delivered by the our analysts. It is sitting in my inbox, awaiting my final review. It will definitely, without a shadow of a doubt, be available only for Veritas. I will likely announce that via livestream from the Consensus event as well.

For those who may not realize it, we are moving very, very quickly. Many ventures offer an ICO, give tokens out weeks later, and start developing upon the roadmap outlined in their whitepaper.

We're 3 out of the 4 weeks into our ICO, and we've already started producing research that is simply not available anywhere else. We also have another surprise to announce. I'll tell you after you view this video, if you haven't seen it. <https://www.youtube.com/watch?v=0k13dgd44mw>

I know said it would be 18 to 24 months to have a product out, with a few months at a minimum for a MVP. My lead engineer said he will have something to play with potentially as early as next week regarding the autonomous machines designed to attack the hedge fund sector with zero margin models. I will need assistance of a dozen or so brave Veritas holders to participate in an alpha test of this code by sending their Veritas in. There is a strong chance it could get lost (hacking, etc.) so we're limiting the contribution amount to \$300 or less, with the obvious caveat emptor warnings.

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52 [Alternate cryptocurrencies / Announcements](#) (Altcoins) / [Re: VERITASEUM DISCUSSION THREAD](#) on: May 19, 2017, 06:59:36 PM

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ICOs, 30,000x Returns & Transformational Blockchain Tech Investing  
<https://www.youtube.com/watch?v=7Ev61YG30Eo>

53 [Alternate cryptocurrencies / Announcements \(Altcoins\)](#) / [Re: VERITASEUM DISCUSSION THREAD](#) on: May 19, 2017, 06:58:07 PM

Crown Jewels For Free: Veritaseum Goes ICO - Cointelegraph:  
<https://cointelegraph.com/news/crown-jewels-for-free-veritaseum-goes-ico>

54 [Alternate cryptocurrencies / Announcements \(Altcoins\)](#) / [Re: VERITASEUM DISCUSSION THREAD](#) on: May 18, 2017, 11:51:12 PM

**Quote from: AltCity on May 18, 2017, 11:24:55 PM**

Gnosis Valuation Report is completed May 15th. <http://veritas.veritaseum.com/index.php/15-veritaseum-presents-it-s-first-digital-asset-forensic-valuation-gnosis-gno>  
Next up is Augur. (REP Token) <https://twitter.com/ReggieMiddleton/status/865338733771583488>  
Reggie says this report will cost 300 VERI tokens and due next week.

For traders with large REP positions, this type of analysis would be invaluable. This kind of work will create the demand for VERI tokens after the VERI sale ends in 8 days. My read is that REP is down recently at 0.00835240 BTC. A critical analysis would allow ICO holders to exit a weak offering if they were looking for a reason to exit. A positive analysis of REP will likely lead to demand for REP short term, and a longer term appreciation of stake based on sound business.

If Reggie and team can produce these analysis at this rate I'm quite excited to see what the DAO does with the research!

Well I have two analysts full time on this (That's 80+ hours per week of non-stop analysis) plus an intern plus myself and their manager. I'm considering adding on a third. I would say the pace may pick up, but that's really contingent on the difficulty of the project. Augur has similarities to Gnosis, so we didn't have to start the model and the thesis from scratch.

We have started on the DAO already, building the conceptual framework. It's not easy, but it is on its way.

55 [Alternate cryptocurrencies / Announcements \(Altcoins\)](#) / [Re: VERITASEUM DISCUSSION THREAD](#) on: May 18, 2017, 11:47:16 PM

Cast your vote <https://twitter.com/ReggieMiddleton/status/865350868153061378>  
and go buy your Veritas to take advantage

56 [Alternate cryptocurrencies / Announcements \(Altcoins\)](#) / [Re: VERITASEUM DISCUSSION THREAD](#) on: May 14, 2017, 08:38:53 AM

The team is listed here (and we're aggressively looking for engineers & developers - at least 2) <http://veritas.veritaseum.com/index.php/the-team>

I have to disagree with your comment, though. The dev team is NOT the most important thing in an ICO. Management is 1st, the entire team is 2nd, current traction is 3rd and the dev team is 4th. The perception that the dev team is the end all and be all of an operation (likely born from the fact that most in the industry are developers) is dangerous - particularly when developing financial products or any

product within a business vertical that is not primarily IT. Focus on Dev teams in the financial space have allowed big Wall Street banks to claim almost all of the patent applications and awards in this space (see the Pathogenic Finance report towards page 18 for more <https://blog.veritaseum.com/download/research/free-research/send/4-research/313-pathogenic-finance> ) and has caused a general dearth of financial innovation despite the proliferation of such an innovative underlying technology. Most of the applications of this tech in the financial space has been the regurgitation of legacy and quite obsolete business models recast in the blockchain. I believe this is so because dev-centric teams don't realize the vulnerable pressure points that break in the business from a strategic perspective. Trust me, we do - reference [https://www.youtube.com/watch?v=\\_vf8-HI78pM](https://www.youtube.com/watch?v=_vf8-HI78pM)

Well, back to the question at hand, we have build the first fully functional "beta" capital markets application of smart contracts and blockchain tech, way back in 2013 and 2014. We believe we were the first to apply for patent protection every country that has a major financial market, and we were able to do all of this on a shoestring budget of several hundred thousand dollars because we had diversity in our team - analysts, strategists, investors developers, engineers and IP attorneys. Now, we're rolling with several million and we still have the advantage of dealing with a market that is top heavy with developers - advantage team Ve! The dearth of quality research, analysis and general understanding of the economic cycles in this space will benefit us as well, at least as long as that dearth exists.

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57 [Alternate cryptocurrencies / Announcements \(Altcoins\)](#) / [Re: VERITASEUM DISCUSSION THREAD](#) on: May 14, 2017, 02:50:35 AM

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For those interested in artwork to design their blog post and Bitcoin talk footers, click these two links...

<https://drive.google.com/open?id=0By5WJsM3KjltNXBaNEdBem5pR0E>  
<https://drive.google.com/open?id=0By5WJsM3KjltRWtXdjN3UEI2LXM>

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58 [Alternate cryptocurrencies / Announcements \(Altcoins\)](#) / [Re: VERITASEUM DISCUSSION THREAD](#) on: May 14, 2017, 01:53:28 AM

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Hello all. I apologize for my absence, I've been extremely busy positioning Veritaseum to redefine global finance. I've assigned 3 financial analysts (directly under my personal supervision, and managed by my partner of 10 years) to cover only ICOs, digital tokens and blockchain-based companies. This research report on Gnosis and its valuation is the fruit 6 to 9 man/weeks of such efforts. This research is but a very small sample of the power that Veritas token holders will wield. I implore everyone on this thread to reach out to everyone that they know and compare this Veritas-powered tokenized knowledge to the best that the entire web has to offer - currently (IMO) Smith and Crown (<https://www.smithandcrown.com/sale/gnosis/>) and Tokenmarket (<https://tokenmarket.net/blockchain/ethereum/assets/gnosis/insight>). After perusing the competition, I believe many may come to see the true value of owning Veritas. Enjoy! Augur is next up. These reports will be published in redacted form until the financial machines are ready to be launched in beta form, afterwhich the human readable spigot will be turned off and Smart Contract-driven machines will rule the day.

<http://veritas.veritaseum.com/index.php/15-veritaseum-presents-it-s-first-digital-asset-forensic-valuation-gnosis-gno>

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59 [Alternate cryptocurrencies / Announcements \(Altcoins\)](#) / [Re: VERITASEUM DISCUSSION THREAD](#) on: May 05, 2017, 04:36:47 PM

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**Quote from: piratepants on May 05, 2017, 04:21:13 PM**

Yes, but was it operational before?

It was operational before and its operational now as well.

60 [Alternate cryptocurrencies / Announcements \(Altcoins\)](#) / [Re: VERITASEUM DISCUSSION THREAD](#)

on: May 05, 2017, 04:35:57 PM

**Quote from: Dorset on May 05, 2017, 05:04:20 AM**

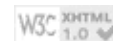
Veritas tokens were slated to be \$1 before the Eth pump. Now it's about \$3. Would future big money be charged significantly less? Will I be losing money by participating in the ico?

Why would we charge big money less? It may be possible for someone to negotiate a large volume big block deal, but the price is the price, is the price. Okay?

Pages: « 1 2 [3] 4 5 6 7 »



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# **Exhibit 16**

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**News:** Latest Bitcoin Core release: [0.18.0](#) [Torrent] **(New!)**



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21 [Alternate cryptocurrencies / Announcements \(Altcoins\) / Re: VERITASEUM DISCUSSION THREAD](#) on: June 30, 2017, 12:16:12 PM

**Quote from: paulmaritz on June 28, 2017, 06:58:11 AM**

Today is the day! Just image the opportunities that will open up if Reggie can manage to get Jamaica on board today. There is no doubt in my mind that he will succeed, but even if he doesn't, the Veritaseum train will continue to move forward into the future. All the best Reggie!



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I... no... We, succeeded... In a big way. We have a signed MOU with the Chairman of the Board and the Managing Director of the Jamaica Stock Exchange to do a rapid buildout of a digital asset exchange via joint venture. This is the most significant announcement the cryptocurrency space in years, particularly considering the flexibility of the products that we will design under my watch. We are looking for a launch date of approximately August 31st.

I have met with almost every power player relevant to this deal (and others) in the region, from the largest financial institutions to the Deputy Governor of the Central bank, to the FSC (Financial Services Commission), to the Minister of Finance and Transportation, even the wife of the Prime Minister (Jamaica's equivalent of Michelle Obama).

I am also arranging to purchase distressed assets from the country to add to a VERI special secret sauce.

If that's not enough, I am working on a similar deal with one of the world's top ten exchanges, whom I started working with BEFORE the Jamaica deal.

It's all VERI exciting! :-)

I'll post pics, videos, explanations and even documents throughout the day. I'm interviewing today (just getting back to the office), so will be a bit busy (ain't nothing new).

Congrats to all supporters and owners of VERI.

We're not playing games here!

22 [Alternate cryptocurrencies / Announcements \(Altcoins\) / Re: VERITASEUM DISCUSSION THREAD](#) on: June 30, 2017, 11:40:13 AM

**Quote from: eye4bd on June 27, 2017, 06:29:20 PM**

Quote from: CrazyC265 on June 25, 2017, 11:06:18 PM

yes ico is done and believe bounties have been paid. the coin is still selling for very cheap on etherdelta but shudnt for long.

Hi

Maybe part of the contribution rewards have been paid till now.

At least I'm on the missing list.

Was asked by [REDACTED] for providing an up-dated Twitter audit.

Few days ago I was

send that using his e-mail address. But didn't get any feedback till now! And don't why?

Thanks!

[REDACTED] was with me in Jamaica working on increasign the value and reach of Veritaseum and attempting to solve the exchange ilsting problem. I believe we have solved the problem.

23 [Alternate cryptocurrencies / Announcements \(Altcoins\)](#) / [Re: VERITASEUM DISCUSSION THREAD](#)

on: June 22, 2017, 06:09:37 PM

Quote from: thepo1m on June 22, 2017, 04:52:32 PM

I said to [REDACTED] that the bounty sheet should be made public for transparency sake, I was given 7.2 veri token for twitter bounty and I believe something is quite wrong with the calculation because 50,000 tokens was allocated to bounty campaigns out of which 20% of it go to twitter that is 10,000 token. So it is not possible for me to have 7 tokens out of 10,000 tokens because I was in the campaign for more than 4 weeks.

If the spreadsheet is not made public I will need to report to the moderator on the forum to see to this.

What I don't understand here is why [REDACTED] decided to hide all the bounty stakes informtion. Please for transparency sake make the bounty sheet public for all to see

I don't appreciate being threatened. Go ahead and report to the moderator, and you will never do business with us again. The bounty pool was for "up to \$50k". We can't simple put a static \$50k in the pool without knowing the partiipants, because one person (like you) can show up and literally expect \$50k for sending a dozen tweets. What's so egregious is that you were compensated \$700 for sending a few twets, and you are a super influential celebrity, nor do you have 60,000 followers, yet you complain and threaten.

The allocation has a subjective component to it because we need to ascertain whether a true effort was made on our behalf, and whether tha effort waa actually and materially additive to the project. When there is signifiant gray area, we have erred on the side of generosity. Speaking of which, you were paid \$700 for a few Tweets, and your threatening us!

We have decided to extend the bounty program since the alotment has not be sifficiently consumed (less than 80 people participated, I believe - but I'm not sure), but we don't want to attract the type who want to extort us because we won't pay more than \$700 fora few Tweets to a very limited audience.

24 [Alternate cryptocurrencies / Announcements \(Altcoins\)](#) / [Re: VERITASEUM DISCUSSION THREAD](#)

on: June 22, 2017, 11:35:59 AM

You guys put too much emphasis on websites, in my opinion, at least in regards to icos. look at the site that we're on now. It's straight out of the 90s, but tak3 note of

25 [Alternate cryptocurrencies / Announcements \(Altcoins\) / Re: VERITASEUM DISCUSSION THREAD](#) on: June 17, 2017, 03:29:45 PM

Quote from: [naaktslak5](#) on June 17, 2017, 12:43:13 PM

Quote from: [Dorky](#) on June 17, 2017, 12:36:10 PM

Quote from: [naaktslak5](#) on June 17, 2017, 11:40:55 AM

Is this legal? The SEC approved this?

No, it is not. The SEC **never** approved bitcoin and ethereum.

So how can u trade stocks on this platform?

Veritaseum is a P2P platform, where individuals deal directly with each other, thus there is no central market.

In the system, you don't trade stocks, you exchange exposure to stock prices. It's a derivative, thus there is no need to directly hold the underlying or rely on the intermediaries that are tasked to assist that.

26 [Alternate cryptocurrencies / Announcements \(Altcoins\) / Re: VERITASEUM DISCUSSION THREAD](#) on: June 13, 2017, 09:12:08 AM

It is now quite obvious that many have purchased Veritas software without fully grasping what they are now in possession of. I see many are willing to sell their software to others for 5x to 50x short term gains. Mere short term gains are nothing compared to what the platform, when powered by the right staff (I'm looking at some very capable people for biz dev - with a rolodex of several decibillion dollar clients - each), is capable of. Anybody who read the article on [Veirtas.PanCarib](#) and doesn't realize that they are sitting on little bit and pieces of a global macroeconomic nuclear value bomb really, really shouldn't be owning this stuff and is likely much better off trying to grab those 5x-50x returns.

Jamaica and the caribbean are just the beginning. We have an entire WORLD to conquer! :-)

27 [Alternate cryptocurrencies / Announcements \(Altcoins\) / Re: VERITASEUM DISCUSSION THREAD](#) on: June 13, 2017, 09:03:43 AM

Quote from: [stereotype](#) on June 13, 2017, 08:57:55 AM

@Reggie

Anything Dubai related, on the near horizon? The government there, appear very receptive to blockchain innovation, currently.

If you have a contact, hook us up and we'll make a sales call that will be too good to resist.

28 [Alternate cryptocurrencies / Announcements \(Altcoins\) / Re: VERITASEUM DISCUSSION THREAD](#) on: June 13, 2017, 09:02:03 AM

One thing that you forgot to mention, that everyone on YouTube is forgetting to mention, is that Etherdelta is DECENTRALIZED!!! The entire reason for dealing in Bitcoin or Ethereum or even Veritaseum for that matter, is to obtain and retain AUTONOMOUS control of your own assets. Every single major exchange requires you to relinquish possession, control and custody of your private keys to them. That means:

- if they decide they don't like you - they can take your stuff.  
If the government decides they don't like you - they can take your stuff.  
If the government decides they don't like your exchange - they can take your stuff.



- IF a rogue employee decides they don't like you or their employer - they can take your stuff
- IF a hacker decides they like your stuff more than they like their own stuff, they can take your stuff
- IF a virus or malware program gets a hold of the proper stuff - they can take your stuff
- IF the server farm crashes - you can lose access to what use to be your stuff

The hole premise of crypto is autonomy vs. heteronomy. Do a search for that term on [blog.veritaseum.com](http://blog.veritaseum.com). The reason why Etherdelta likely went down is because of the amount of traffic that we threw at them for Veritas. If I'm not mistake, there is no central server, the system is run through a chain of primary contracts and helper contracts - like Veritaseum solutions on Ethereum. If you sit back and think about it, it's pretty amazing that one person put this together. All he really needs is a good UI/UX guy/gal to help him clean up the appearance and front end performance.

29 [Alternate cryptocurrencies / Announcements \(Altcoins\) / Re: VERITASEUM DISCUSSION THREAD](#) on: June 11, 2017, 10:58:28 PM

It was submitted. Remember, Bittrex makes money off of fees. If there's demand, they'll list the coin with or without developer cooperation.

I'm shocked that no one mentioned the letter from the Jamaican stock exchange, or did no one read the post?

30 [Alternate cryptocurrencies / Announcements \(Altcoins\) / Re: VERITASEUM DISCUSSION THREAD](#) on: June 11, 2017, 07:12:03 PM

If you guys want VERI listed on the larger exchanges, you have to make sure they hear your voices. You are what pay their bills, after all. Send this form letter in, with your customizations, of course (very important, this is just a guideline). Most in the crypto space don't understand what Veritaseum is, and most VERI holders have absolutely no idea what they have on their hands. I'm working on a blog post to put this into perspective, but this should educated some in the meantime.

I am writing you on behalf of the holders of Veritaseum (VERI) token. Currently, the VERI token can be traded only on the <https://etherdelta.github.io/#ETH-VERI> platform, which is not very intuitive nor user friendly. Our community firmly believes that this token has very high intrinsic value and holds immense potential. This token has many unique features which is backed by excellent Veritaseum team. So what exactly is Veritaseum? To quote Veritaseum CEO Reggie Middleton:

\_We are the closest thing to an entity that offers full-service investment bank offerings without being an investment bank. We do this by leveraging the power of the blockchain and smart contracts, along with a truly 'start from scratch' mentality when it comes to designing business models. Instead of trying to bring old school, extant business models into the Blockchain age, we create brand new business models designed specifically to leverage the abilities of the bleeding age tech. In doing so, we take industry verticals such as asset management, brokerage, merchant banking, etc. and create machines that replicate the services traditionally offered, with improvements in speed, transparency and safety... at zero practical margin. Yes, we give away the crown jewels for free, or close to free.\_  
Veritas is an appkey, not a security or a currency. It has existing products that it offers in the here and now, such as a value trading platform (currently removed from public use) and high end forensic analysis of entity and platform digital tokens such as those issued by Ripple, Gnosis, Augur and Dash. See <http://veritas.veritaseum.com/index.php/20-the-augur-forensic-analysis-and-valuation-report-is-available> and <http://veritas.veritaseum.com/index.php/16-the-gnosis-gno-forensic-analysis-and-valuation-report-our-inaugural-digital-asset-research-release> for samples. They also do risk adjusted return analysis - reference

[digital-investment-portfolio-how-to-value-hard-to-value-tokens-pt-1](#).

The excellent Veritaseum team is not resting idly on their laurels of the successful ICO offerings. Their plans for the imminent future are huge. Mr. Reggie Middleton is revealing some short term plans below:

\_Veritaseum's founder is approaching the central banks and major exchanges of several Caribbean nations to create a "super euro" for the pan Caribbean bloc using the Veritas technology and platform. This will be a first in the industry and Mr. Middleton believes this can out the GDP of said bloc above that of Singapore and the UAE. He has arranged to meet his first sovereign nation's leaders in less than two weeks and is promising aggressive rollouts that can alpha in less than 30 days. Reference <https://drive.google.com/open?id=0By5WJsM3KjltUkMwMW1rV01nZk0>

We are closely monitoring the Cryptosphere for the last two weeks, focusing primarily on acceptance/interest for the VERI token. We can see tremendous interest among Crypto traders. Having the highest volume of all currencies on Etherdelta (daily volume between \$ 300 000 to \$ 600 000) despite clunky web interface and partial website downtime is very good indicator of the huge interest within crypto community for this token.

We wish you all the best and hope that this letter will encourage you to list our precious token at your excellent exchange.

31 [Alternate cryptocurrencies / Announcements \(Altcoins\) / Re: VERITASEUM DISCUSSION THREAD](#) on: June 09, 2017, 05:50:40 PM

**Quote from: Dorky on June 09, 2017, 03:38:14 PM**

**Quote from: btsfreak on June 09, 2017, 01:58:34 PM**  
My translation: This is token with a market cap of currently nearly 6 billion USD, and the developers are holding 98%.  
All big purchases in the future will be done from the developers directly thus will not hit the market and influence the market price positively.

The market cap depends on how large is the capital market that Veritaseum can disintermediate. And because it is not clearly expressed how that \$1.635 quadrillion is referred, the valuation is blurry.  
As I understand, illiquid + high friction cost securities/assets are just a fraction of the entire capital market.

That's not accurate. Download the Gnosis report to get a better understanding of the valuation framework that needs to be applied. It's free.

32 [Alternate cryptocurrencies / Announcements \(Altcoins\) / Re: VERITASEUM DISCUSSION THREAD](#) on: June 09, 2017, 05:48:13 PM

**Quote from: btsfreak on June 09, 2017, 01:58:34 PM**

My translation: This is token with a market cap of currently nearly 6 billion USD, and the developers are holding 98%.  
All big purchases in the future will be done from the developers directly thus will not hit the market and influence the market price positively.

Let me help your translation. If Silverman Sachs bank advises a Caribbean nation to purchase 5 million VERI to set up a token exchange and valuation service, then all activity in that exchange will need VERI. Demand will be organic and real, for participants will have to buy or borrow VERI to get down. You guys are still thinking small potatoes of playing tricks to spike prices on exchanges. Personally, I don't care to chase exchanges. My goal is to boost organic demand by offering products, services and solutions that are available nowhere else, then sate that demand with supply if (and only if) it overwhelms the existing market of VERI holders. If you are looking for trading profits, you are in the wrong place. This is a software solution, not

an investment. If you feel misled or misunderstood this product, email us and we will gladly refund your purchase price upon the return of your product - no questions asked!

33 [Alternate cryptocurrencies / Announcements \(Altcoins\) / Re: VERITASEUM DISCUSSION THREAD](#) on: June 09, 2017, 05:24:08 PM

Augur Forensic Analysis/Valuation Report Is Available for 4.5 VERI tokens  
<http://veritas.veritaseum.com/index.php/20-the-augur-forensic-analysis-and->

34 [Alternate cryptocurrencies / Announcements \(Altcoins\) / Re: VERITASEUM DISCUSSION THREAD](#) on: June 08, 2017, 04:42:59 PM

An email I just got from Poloniex...

Dear Reggie Middleton,  
We don't have a comprehensive set of criteria as each project is unique. We watch the community and select projects that we believe are unique, innovative, and that our customers would be interested in trading. The best advice I can give is to build a product that has strong (organic) market demand.

As you can see, there is merit to driving more volume and traffic to the decentralized Etherdelta. I first petitioned Poloniex at the cloaenof the ICO and again just recently.

Volume on Etherdelta is about 3 to 4 thousand ETH daily, \$750k to \$1M in VERI

35 [Alternate cryptocurrencies / Announcements \(Altcoins\) / Re: VERITASEUM DISCUSSION THREAD](#) on: June 04, 2017, 02:35:57 PM

They can simply buy it from us (or from you). Think of other successful software vendors. Microsoft has most of its software concentrated at its firm, but has a

36 [Alternate cryptocurrencies / Announcements \(Altcoins\) / Re: VERITASEUM DISCUSSION THREAD](#) on: June 04, 2017, 10:26:33 AM

Quote from: BitcoinForumator on June 03, 2017, 02:22:27 PM

Is the user [REDACTED] part of the team? Can you confirm Reggie?

[REDACTED] is Veritaseum's first intern. [REDACTED] been invaluable in assisting in chewing through the massive email (and soon, voicemail) cue that has built up. [REDACTED] also very talented and I'm quite proud of [REDACTED] :-)

You are correct to be cautious, for Veritaseum email has been spoofed before. If you get a suspicious email from the Veritaseum domain, check the security cert. and make sure the entire root domain is spelled EXACTLY as you see it in our website - or - email in to support using direct links from our site (do not Google search it - very risky) to confirm.

37 [Alternate cryptocurrencies / Announcements \(Altcoins\) / Re: VERITASEUM DISCUSSION THREAD](#) on: June 04, 2017, 10:18:42 AM

Quote from: Dorky on June 03, 2017, 05:44:22 PM

The reason why I need to know your extant customer base is to have an assurance (a minimal one) that there is a "floor" to my investment risk. It makes no sense to you because you do not see from my perspective. Bitcoin was not successful within the first 2 years if not with the help of certain group of people that keep promoting it and then an exchange emerging (Mt. Gox) providing price-making to it. A bulk of the adoption took place after the price took off, not when

Bitcoin was relatively worthless and useless compare to itself today. When did you start paying serious attention to Bitcoin? Was it in 2013, or in 2009 just when it started? And why?

**Quote from: Reggie Middleton on June 03, 2017, 03:14:20 PM**

This makes no sense either. Suppose my customer base was small (as it was compared to many newsletters) but contained multiple billionaires, family offices, central banks of developed nations, etc.? Which it did.

What I meant by tiny customer base isn't just the number of customers, but also the level of sales that these customers can bring in. Multiple billionaires (or just a couple) bringing in millions of dollars in regular businesses is very good with me but unless this info is coming from you, I cannot speculate.

**Quote from: Reggie Middleton on June 03, 2017, 03:14:20 PM**

You are apparently misinformed. Ultracoin was the moniker for a P2P value trading platform. It did not have a token itself that traded at all, not to mention a "historical price chart is basically a failure and most likely no longer recoverable". You are spreading false information and then attempting to lend credibility to said information with the assertion that you have passed a CFA exam. You would benefit the community more if you paid more attention to detail. There was an altcoin called Ultracoin that had no affiliation to us, whatsoever, and a cursory glance at both of us easily revealed that.

It is a slander to say I am spreading false information and try lending credibility to said information with passing the CFA exams.

I didn't know Ultracoin was not related to you. I only remember that you were involved in your own coin called Ultracoin several years back and that leads me to think they are the same. Of course I didn't expect anyone to infringe on any trademark and got away with it and thus it did not cross my mind that there could be 2 different Ultracoins. Neither did I expect anyone to use any unique name and did not attach any trademark to it, eventually causing confusion.

By the way, I have the duty to ask questions. I may be misinformed, or uninformed, or make no sense to you, but I don't want to lose my money for any reason. If there are smart questions that you expect to be asked, you can tell me what are these smart questions.

There is no question that doesn't make sense just as there is no stupid question.

**Quote from: Reggie Middleton on June 03, 2017, 03:14:20 PM**

That is because you (a CFA candidate, and a programmer) are not the initial target market for the project. We are looking for buy-side institutions, UHNW and family offices in the beginning. None of this leads us to believe that we should hone the message more to that of a CFA candidate. As we gain traction, we want to broaden the net, hence will soften and diversify the message some, making it more palatable to the typical lay person. As for now, this is targeted professional's tool.

I was a trader too. That was precisely why I learned programming to translate my system to an automated one. It wasn't out of fun or curiosity. So it's not all academic stuff. The issue is not whether I passed any exam and thus claim to have any bragging right. The issue is if your presentation is not even understandable to a guy educated in finance along with trading experiences like me, then imagine what is the impact of your presentation to the general audience. And if you do not cater to the general audience, but just specific type/class of clientele, then why bother reaching out to us? And I am very sure that just because a person is UHNW doesn't mean he/she will definitely understand your presentation, as if their net wealth alone makes them much more savvy than others. There are a lot of filthy rich people in my country that don't understand what I understand. And just in case you might misunderstand me trying to spread false information, no. The way I see it is that your presentation represents your marketing. Great marketing will meet great success, even if the product sucks. Bad marketing will meet great failure, even if the product is great. Your product may be great, but I prefer that your idea can be more understandable to the general audience for better adoption, as I've said before.

My suggestion on polishing your presentation is with good intent. Don't be overtly defensive. Nobody is perfect.

I'm not being overly defensive, I'm being factual. If you post something that is not true, and I call you on it, it is not slander - It's the truth! You stated that our coin was a failure due to historical price charts. That is not the truth, you were corrected. I'm all for everyone doing due diligence and research, but you need to do just that. You took a cursory glance, and in effect, actually slandered us.

You still don't understand the Veritaseum opportunity. I tell you the product is not aimed at you as a target audience and you state you studied for a CFA test, are a developer, and now you say you are a trader. None of that qualifies you as our target audience. We are looking for buy-side investors and/or owner/operators for illiquid assets or those assets with high friction costs. Being a trader has absolutely nothing to do with the Veritaseum value proposition. The same goes for CFA certification candidacy (it's actually just a test) or being a developer.

You then attempt to hold us at a different bar than the entire industry by discussing extant user bases (which we've had for a decade) and such. This is misleading if not downright erroneous to most, since the three most outstanding tokens in regards to risk-adjusted reward, and absolute reward had no extant user base at all at inception.

The most important point to address is your statement of looking after your "investment". Veritaseum is a P2P value exchange tool in the form of distributed software. It is not an investment and we have never marketed it as an investment. As a matter of fact, we went out of our way to illustrate that it is a software tool and not an investment. Now, that does not mean that you can't speculate on Veritas, just as you can speculate on Vinyl LPs, comic books or Beanie Babies, but that is not how we are selling it.

Again, I'm not being defensive, I'm being factual and I desire the same from all.

38 [Alternate cryptocurrencies / Announcements \(Altcoins\) / Re: VERITASEUM DISCUSSION THREAD](#) on: June 03, 2017, 03:14:20 PM

Quote from: Dorky on June 03, 2017, 10:10:39 AM

Quote from: paulmaritz on June 01, 2017, 03:17:00 PM

I couldn't agree more. In addition, some even use the interview Tone Vays had with Reggie (<https://youtu.be/GfiTk8Z1Pa0>) as proof that Veritaseum is a scam. It is laughable to say the least. I suspect someone out there is being paid a lot of money to misdirect potential participants, not only when it comes to Veritaseum, but crypto tokens in general. They normally lie and claim some form of authority.... "I am a software engineer," "I have been an investor in cryptos since the beginning, but this smells like a scam to me" and more. Press them a bit and it quickly becomes clear that they don't know what they are talking about.

In short: They are either bought and paid for or the dumbest trolls around!

I just took the time and trouble to watch the video to completion and these are what I can say:

1. The video itself does not indicate the Veritaseum project is a scam BUT the interviewer's concerns and confusions are certainly **perfectly valid**.
2. Reggie described the project as if it is a non-standardized service platform, which if that's the case then I believe the usage would be extremely limited. The main reason why the futures market is way more popularly participated (and most likely much bigger) than the forward market is probably because the futures market trades standardized contracts (never mind the 3rd-party involved which Veritaseum seeks to get rid of).
3. Reggie shifted his project from Bitcoin blockchain to Ethereum blockchain because of regulatory concerns. What regulatory concerns would impair the Veritaseum project and why is that so? Basically I don't believe anything will be allowed to continue persisting for long without regulatory oversight sooner or later, so if regulation is finally in place on both Bitcoin and Ethereum's blockchains, does that mean Veritaseum's project will be as good as gone?
4. I am still unclear of Reggie's regular customer base because this is very important to gauge the existing value of the Veritas tokens. If Reggie's customer base before Veritas existed was tiny, then it's very likely the ready market of potential customers to actually buy Veritas for Reggie's



researches would be very very small too, thus limiting the price appreciation and adoption of Veritas tokens.

**5.** Has Reggie answered the interviewer's unanswered questions in the 2nd half of the video, or are they remain unanswered?

**6.** Ultracoin historical price chart is basically a failure and most likely no longer recoverable. What will Reggie do to stop the same pricing destiny from happening to Veritas?

Note: I am neither bought and paid for nor the dumbest troll. I am intelligent enough to pursue the CFA program thru self-study (passed Level 2 exam but dropped out because I can't find relevant job with it) with zero background and pursued computer programming (thru self-study as well) to develop my own proprietary trading algorithm program (on my own one-man show), so I believe I am both financially and technically competent to question, to say the least.

Beside that, I strongly believe Reggie needs to polish up his way of explaining things to make it more understandable to those who are not financially-inclined. Even I have a hard time trying to fit all the jigsaw pieces together without the need to ask for more questions. And finally, I strongly believe Veritas needs a good logo for it to catch potential stakeholders' attention.

I believe I answered all of Tone's questions completely, at least those questions that I was present to answer. I made it clear to him I had a call at a certain time, and that call came in. I've known Tone for some time now, and he's a good guy... but, be aware that his claim to fame is as an anti-altcoin contrarian. That's what he does, and that, in part, is why people tune in to him. The other reason they do so is because he does do his homework, and I respect him for that.

\* Reggie described the project as if it is a non-standardized service platform, which if that's the case then I believe the usage would be extremely limited.\*

Is the usage of the Internet extremely limited because the content is non-standardized? I doubt so. You have to retrain your thought processes to understand the power of autonomy and freedom.

\*Reggie shifted his project from Bitcoin blockchain to Ethereum blockchain because of regulatory concerns.\*

That's not true.

\*What regulatory concerns would impair the Veritaseum project and why is that so?\*

CFTC regulation of bitcoin, and the potential interpretation of Dodd Frank and SEF registration.

\*I am still unclear of Reggie's regular customer base because this is very important to gauge the existing value of the Veritas tokens.\*

This makes no sense, or at the very least is highly discriminatory. What was the regular customer base of Ethereum when they launched their crowdsale? How about Bitcoin? The most successful token sales didn't have an extant customer base at launch, or even a year after.

\*If Reggie's customer base before Veritas existed was tiny, then it's very likely the ready market of potential customers to actually buy Veritas for Reggie's researches would be very very small too, thus limiting the price appreciation and adoption of Veritas tokens.\*

This makes no sense either. Suppose my customer base was small (as it was compared to many newsletters) but contained multiple billionaires, family offices, central banks of developed nations, etc.? Which it did.

\*Has Reggie answered the interviewer's unanswered questions in the 2nd half of the video, or are they remain unanswered?\*

I answered all questions, in full detail, that were asked of me directly. I can't answer questions that were asked in my absence, and I made it very clear to all who interview me that I will not engage in conversation of regulatory law or regulations in public. There is simply no upside to it.

\*Ultracoin historical price chart is basically a failure and most likely no longer recoverable. What will Reggie do to stop the same pricing destiny from happening to Veritas?\*

You are apparently misinformed. Ultracoin was the moniker for a P2P value trading platform. It did not have a token itself that traded at all, not to mention a "historical price chart is basically a failure and most likely no longer recoverable". You are spreading false information and then attempting to lend credibility to said information with the assertion that you have passed a CFA exam. You would benefit the community more if you paid more attention to detail. There was an altcoin called Ultracoin that had no affiliation to us, whatsoever, and a cursory glance at both of us easily revealed that.

\*I strongly believe Reggie needs to polish up his way of explaining things to make it more understandable to those who are not financially-inclined. Even I have a hard time trying to fit all the jigsaw pieces together without the need to ask for more questions.\*

That is because you (a CFA candidate, and a programmer) are not the initial target market for the project. We are looking for buy-side institutions, UHNW and family offices in the beginning. None of this leads us to believe that we should hone the message more to that of a CFA candidate. As we gain traction, we want to broaden the net, hence will soften and diversify the message some, making it more palatable to the typical lay person. As for now, this is targeted professional's tool.

39 [Alternate cryptocurrencies / Announcements \(Altcoins\)](#) / [Re: VERITASEUM DISCUSSION THREAD](#) on: June 03, 2017, 02:50:40 PM

**Quote from: BaNgTHai on June 02, 2017, 09:30:00 PM**

Is there anyway we can see a previous beta version. Links to people using the beta when it was out. Also when was the beta for the bitcoin platform released and how soon after its release was it taken down? I don't see how they kept working on it and not have anything to show for it a couple years later.

How do you come to the conclusion that we have nothing to show for it? Seriously! We have fully functional beta (running in the wild for 3 years as an open beta that generated revenue through disparate user base) in addition to multiple patent applications with priority dates that predate everyone that we know of - and that seem to be fertile ground.

40 [Alternate cryptocurrencies / Announcements \(Altcoins\)](#) / [Re: VERITASEUM DISCUSSION THREAD](#) on: June 03, 2017, 02:45:33 PM

**Quote from: Gen6:6 on June 02, 2017, 08:05:58 AM**

Thanks all!

Been looking at that EtherDelta exchange price for VERI/ETH... going the wrong way at the moment but time will tell! It's so illiquid at the moment anyway that the price on there is probably not reality. I think when big exchanges take this on we will see much more favourable prices and probably medium-to-long term growth with the usual shocks.

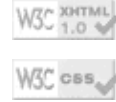
We set up the Etherdelta VERI ticker as an experiment. Please be aware that Etherdelta has very little traffic and liquidity, and no ability to trade for fiat, hence the trade results there will be very different from something like Kraken or Bittrex, or even Poloniex. Fiat is how nearly 99% of new users onboard exchanges, and I'd suppose that 85% of experienced users onboard exchanges through capital gains from BTC, ETH or DASH.

Etherdelta will not reflect any or this liquidity or demand. In addition, I'm petitioning the sell side institutions. If I, my staff or agents succeed, then the volumes you currently see in even the biggest exchanges will fail in comparison.





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# **Exhibit 17**

**From:** ██████ Middleton <██████@veritaseum.com>  
**Sent:** Tuesday, July 18, 2017 8:06 PM  
**To:** Reggie Middleton <Reggie Middleton <reggie@veritaseum.com>>  
**Subject:** Fwd: Re: VWAP on Etherdelta

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----- Forwarded message -----

From: "Zack Coburn" <[zack@zackcoburn.com](mailto:zack@zackcoburn.com)>  
Date: Jul 18, 2017 8:02 PM  
Subject: Re: VWAP on Etherdelta  
To: "█████ Middleton" <██████@veritaseum.com>  
Cc:

I've been meaning to do this for a while. Now it's done!?

If a symbol has traded in the past hour, one hour vwap will be used instead of last traded price. This should help with coinmarketcap price stability and avoid the "outlier detected" messages.

Best,  
Zack

On Tue, Jul 18, 2017 at 7:24 PM, ██████ Middleton <██████@veritaseum.com> wrote:

Hi,

We would like to know if you could added volume weighted average pricing to your exchange because this will prevent people from being able to manipulate the price on coinmarketcap by making very small trades at a price much higher or lower than market. I am sure you have noticed this and I was just recommending a possible solution to it as some individuals are starting to use this to pump and dump certain coins.?

█████

# **Exhibit 18**

Welcome, **Guest**. Please login or register.

**News:** Latest Bitcoin Core release: [0.18.0](#) [Torrent] (New!)

Search input field with a search button

[HOME](#) [HELP](#) [SEARCH](#) [LOGIN](#) [REGISTER](#) [MORE](#)

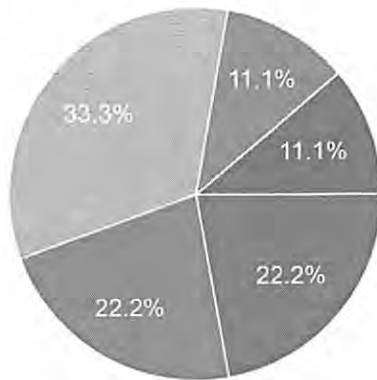
Show Posts

Pages: « 1 2 3 [4] 5 6 7 »

61 [Alternate cryptocurrencies / Announcements \(Altcoins\) / Re: VERITASEUM DISCUSSION THREAD](#) on: May 05, 2017, 03:42:30 AM

We are holding a digital token and blockchain entity evaluation/valuation seminar in Midtown for hedge funds, PE funds and family offices to get them up to speed in this space through our token offering and platform. If any of you guys trade or invest high volumes of tokens, I would love for you and your colleagues to attend.

### Interest in Attending Symposium



- Institutional investor
- Blockchain or DLT entrepreneur or start-up
- Service provider or practitio...
- HNW or UHNW investor
- Software developer or engi...
- Financial engineer
- Really just curious to hear...
- Government or regulatory...
- Other

We will have cocktails afterward at the Baccarat Hotel. See flyer to RSVP <https://t.co/QDqcmIfFTf>

62 [Alternate cryptocurrencies / Announcements \(Altcoins\) / Re: VERITASEUM DISCUSSION THREAD](#) on: May 04, 2017, 07:25:34 PM

Quote from: BitcoinForumator on May 04, 2017, 05:18:01 PM

The old tokens from Coinprism are still valid for the conversion, right?  
If so, what is the ratio of conversion?

Yes, they are valid for the conversion. The rate hasn't been set yet, but it will be quite favorable - better than than the 20% discount had on the first day of the ERC20 token. We will deal with that after the initial sale is complete and listing of the new tokens.

63 [Alternate cryptocurrencies / Announcements \(Altcoins\) / Re: VERITASEUM DISCUSSION THREAD](#) on: May 04, 2017, 05:10:27 PM

Veritaseum is sponsoring a Symposium on risk-adjusted reward when investing in digital tokens and valuing blockchain-centric entities in NYC on May 11th on Park Avenue in Midtown NYC. Prolific investors of all stripes are welcomed, but you must

RSVP. We are looking for institutions and buy side funds in particular. Download this PDF for more and to RSVP: <https://drive.google.com/open?id=0By5WJsM3KjltX0dxb1QtLWR5UHM>

64 [Alternate cryptocurrencies / Announcements \(Altcoins\) / Re: VERITASEUM DISCUSSION THREAD](#) on: May 04, 2017, 04:23:35 PM

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<http://veritaseum.com> web site has been revamped. Give us your opinion. A word to the wise to those who pass judgment on a token offering based upon a website design and a whitepaper. You are likely not exercising prudent due diligence practices. We actually had a very complex site on the back end for it has many GBs of content, code to an oracle, etc., and we simply paid someone a couple thousand dollars put it together in a few days. That is not what a business opportunity makes. When you approach an ICO, you should (at a minimum) vet:

- value of IP
- ownership of IP
- ability to defend IP (patents, patents pending)
- size of addressable market
- margin size and strategy to mitigate margin compression
- accomplishments of the team
- see and actually use a working product
- business plan
- financials, etc. (these last two may require NDA in certain circumstances but should at least be offered via charts and graphs)

We have all of that and more, yet there have been some of you who complained because they didn't like the aesthetics of the website or wondered why we pushed actual product vs a theoretical whitepaper. Be warned, such vetting principles can separate one from one's capital.

We are about to value every major concern in the crypto economy. Holders of Veritas tokens can watch as we do it and benefit in real time. Click here to learn more about what we do and how to buy Veritas <https://drive.google.com/file/d/0By5WJsM3KjltOGJHYS1HT3Uyczg/view>

65 [Alternate cryptocurrencies / Announcements \(Altcoins\) / Re: VERITASEUM DISCUSSION THREAD](#) on: May 04, 2017, 11:43:08 AM

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**Quote from: disconnectme on May 04, 2017, 04:44:01 AM**

I saw this project on the record with Tony vays, there seems to be alot of close information about the project, the amount of funds raised so far can't be found also the numbers of investors. I think more details about the project should be provided

There's hundreds of pages of info available on the site and a ten year public track record of the team's accomplishments from Independent sources. Our investors are private, the token offering is not an investment, it is a software sale of pre-paid fees for products and services. Think of it as a digital gift card, airline miles or loyalty points. I suggest you read the purchase terms on the site.

66 [Alternate cryptocurrencies / Announcements \(Altcoins\) / Re: VERITASEUM DISCUSSION THREAD](#) on: May 04, 2017, 12:36:05 AM

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**Quote from: qiwoman2 on May 03, 2017, 04:17:45 PM**

I just joined the twitter campaign and am very interested in covering the ICO with a blog review hopefully over the coming days. Seeing more Crypto projects going deep into the Financial sector is helping us merge more into mainstream business in a fresh and innovative way.

I look forward to it. Ping me if you want educational, video or analytical/research material from our historical content.

67 [Alternate cryptocurrencies / Announcements \(Altcoins\) / Re: VERITASEUM DISCUSSION THREAD](#) on: May 04, 2017, 12:35:09 AM

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**Quote from: piratepants on May 03, 2017, 02:40:53 PM**

In the one youtube video you posted, you talk about using Veritaseum to allow one user to trade bitcoin "exposure" for facebook "exposure" does exposure mean stock? How does an individual prove ownership of facebook or any other asset? Thanks

The app gives derivative exposure to the underlying asset, thus you don't own the asset, but your bitcoin in-contract on the blockchain goes up (and down) lockstep with the underlying. Of course, you still have market exposure to bitcoin price fluctuations as well.

68 Alternate cryptocurrencies / Announcements  
(Altcoins) / Re: VERITASEUM DISCUSSION THREAD on: May 04, 2017, 12:32:50 AM

**Quote from: younglee21 on May 03, 2017, 02:34:10 PM**

are you need korean translate

I believe so. Check the bounty form. If the Korean space is empty, go for it.

69 Alternate cryptocurrencies / Announcements  
(Altcoins) / Re: VERITASEUM DISCUSSION THREAD on: May 03, 2017, 02:38:45 PM

**Quote from: piratepants on May 03, 2017, 12:42:16 PM**

Just doing a little math here. So there are 100,000,000 tokens and the dev is keeping 49,000,000 tokens. Each token is selling for approximately 0.033 ETH or \$2.574. Which puts the valuation of this platform at about \$257 million? Seems like you are keeping a lot and it is over valued at this stage.

That math is not what you use to value the platform. It is too linear and much too simplistic. You value platforms based on comps and DCF. These are not equity shares. See <http://boombustblog.com/blog/item/9306-using-veritas-to-construct-the-perfect-digital-investment-portfolio>

Not too long after the end of our offering, we will go on a very aggressive valuation tour, valuing and evaluating most prominent concerns and the platforms they are written on top of, in this space.  
For Veritas (VERI) holders only, of course.

70 Alternate cryptocurrencies / Announcements  
(Altcoins) / Re: VERITASEUM DISCUSSION THREAD on: May 03, 2017, 02:34:35 PM

**Quote from: piratepants on May 03, 2017, 12:34:42 PM**

**Quote from: piratepants on May 03, 2017, 11:51:06 AM**

Why did you say "and" ? are these two separate entities to invest in?

**Quote from: Reggie Middleton on April 28, 2017, 08:11:46 PM**

The strict topic of conversation will be investing in the crypto economy using Veritaseum and Veritas.

What is the total supply of this token or tokens?

Also your profile says:

**Quote**

UltraCoin: The Future of Money! A "Smart", Zero Trust, Peer to Peer, Decentralized derivative layer on top of Bitcoin!!!

What is UltraCoin?

Additionally the drop-down menus on your website <https://blog.veritaseum.com/>, don't appear to be working with Chrome



Thanks!

OK I just read the "Terms and Conditions of the Veritaseum 2017 Veritas Sale"

**Quote**

Veritas will be created through the cryptographic "tagging" of certain Ether (ETH) to identify them as Veritas for the Veritas Sale. The amount will be up to 51,000,000.00 tokens in a First Pool (VERI.1) for allocation to Purchasers (the "Veritas Sale Quantity of Veritas"). Veritaseum LLC will also have a reserve pool of Veritas (VERI.2) of 49,000,000.00 tokens for future use at Veritaseum LLC's sole discretion.

What happens to unsold tokens?

**Quote**

Veritaseum or Veritaseum Platform (formerly marketed under the moniker "UltraCoin")

**Quote**

Veritas or Ve: The prepaid software token redeemable to Veritaseum LLC for various products and services offered by Veritaseum LLC

Unsold tokens go to our reserve to sate future demand. Our project is ultimately aimed at the buy side of Wall Street. They are not yet ready to jump headfirst into this space. Configuring this sale as if the offering to the current crypto-friendly crowd is both shortsighted and unwise. We expect to sell tokens in large blocks to buyside institutions such as hedge funds, pension funds, family offices and high net worth individuals as well as advisory firms considerably after the close of this initial offering. We will need the supply to meet the demand.

I'm actually giving a symposium at a hedge fund hotel on Park Avenue in Manhattan on the 11th, to be followed up by many, many more.

71 [Alternate cryptocurrencies / Announcements \(Altcoins\) / Re: VERITASEUM DISCUSSION THREAD](#) on: May 03, 2017, 02:28:15 PM

**Quote from: xland86 on May 01, 2017, 01:30:11 PM**

Wanna reserve ukraine translation

Make the reservation on the Google form, and as long as you're a high ranking bitcointalk member and you are the first to get the position, email us for confirmation and go ahead once we respond. Don't request confirmation here, it's too easy to get lost in the weeds.

72 [Alternate cryptocurrencies / Announcements \(Altcoins\) / Re: VERITASEUM DISCUSSION THREAD](#) on: May 03, 2017, 02:25:48 PM

**Quote from: dadingsda on May 01, 2017, 02:03:42 PM**

I claimed german translation but got no answer so far

You got it, go ahead.

73 [Alternate cryptocurrencies / Announcements \(Altcoins\) / Re: VERITASEUM DISCUSSION THREAD](#) on: May 03, 2017, 02:23:59 PM

**Quote from: John999 on April 30, 2017, 09:55:47 PM**

Do you plan again to release to the public a trustless trading platform like before?

Yes, that is being ported to Ethereum with a few tweaks to comply with recent regulation.

74 [Alternate cryptocurrencies / Announcements \(Altcoins\) / Re: VERITASEUM DISCUSSION THREAD](#) on: May 03, 2017, 02:22:51 PM

**Quote from: piratepants on May 03, 2017, 11:51:06 AM**

Why did you say "and" ? are these two separate entities to invest in?

**Quote from: Reggie Middleton on April 28, 2017, 08:11:46 PM**

The strict topic of conversation will be investing in the crypto economy using [Veritaseum and Veritas](#).

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What is UltraCoin?

Additionally the drop-down menus on your website <https://blog.veritaseum.com/>, don't appear to be working with Chrome

Thanks!

We are launching a totally rewritten site in a few days.

75 [Alternate cryptocurrencies / Announcements \(Altcoins\) / Re: VERITASEUM DISCUSSION THREAD](#) on: May 03, 2017, 02:17:00 PM

**Quote from: piratepants on May 03, 2017, 11:51:06 AM**

Why did you say "and" ? are these two separate entities to invest in?

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Also your profile says:

**Quote**

UltraCoin: The Future of Money! A "Smart", Zero Trust, Peer to Peer, Decentralized derivative layer on top of Bitcoin!!!

What is UltraCoin?

Additionally the drop-down menus on your website <https://blog.veritaseum.com/>, don't appear to be working with Chrome

Thanks!

Veritaseum is the company. Veritas is the token. Total supply is 100M, currently on offer is 51M. UltraCoin was an early name for the project (back in 2013, before a rebrand).

76 [Alternate cryptocurrencies / Announcements \(Altcoins\) / Re: VERITASEUM DISCUSSION THREAD](#) on: May 03, 2017, 02:15:01 PM

**Quote from: USBitcoinServices.Com on May 03, 2017, 06:45:05 AM**

When the ICO will end? also when the bounty program will end? Thanks!

The initial offering ends May 26 at 9:30 EST. The bounty program is scheduled to end then as well, but we may extend based upon its performance.

77 [Alternate cryptocurrencies / Announcements \(Altcoins\) / Re: VERITASEUM DISCUSSION THREAD](#) on: May 03, 2017, 04:30:28 AM

Don't understand the revolutionary value Veritaseum is to global finance? These four videos should open your eyes wide shut!

Listen <https://www.youtube.com/watch?v=2gK3s5j7PgA>

Then watch [https://www.youtube.com/edit?o=U&video\\_id=CsAEbea2o5M](https://www.youtube.com/edit?o=U&video_id=CsAEbea2o5M)

and then... <https://www.youtube.com/watch?v=kez7QYfmL-c>

and finally <https://www.youtube.com/watch?v=s04p3EohPAs>

78 [Alternate cryptocurrencies / Announcements \(Altcoins\) / Re: VERITASEUM DISCUSSION THREAD](#) on: April 30, 2017, 08:17:24 PM

**Quote from: Nashamoto on April 29, 2017, 10:35:36 PM**

**Quote from: Reggie Middleton on April 26, 2017, 04:49:29 PM**

**Quote from: John999 on April 26, 2017, 03:44:42 PM**

How can the old Veritas be exchanged for the new ones?

After the crowdsale, I will put the word out for pre-sale token holders [Veritas.1 pool] to send us their tokens for the ERC20 tokens at a very preferential exchange rate (to reward our early supporters and adopters).

The crowdsale ends in ~30 days. IF you wish, you can ping veritas AT veritaseum DOT com after the 30 day period.

Will the preferential exchange rate for old Veritas tokens exceed the first day 20% bonus?

Yes.

79 [Alternate cryptocurrencies / Announcements \(Altcoins\) / Re: Veritaseum's P2P Capital Markets ICO Scheduled for 4/25/17 at Open of NY Markets](#) on: April 30, 2017, 08:14:37 PM

**Quote from: stereotype on April 17, 2017, 12:41:31 PM**

Any redemption details for Veritas.1, 2, and 3 tokens?

See tear sheet <https://drive.google.com/open?id=0By5WJsM3KjltOGJHYS1HT3Uyczg>

See slide presentation

[https://docs.google.com/presentation/d/1FMyNvogofqojqG6nkIjgvvjAnsWs1qOtKUFExvtp\\_m0/pub?start=false&loop=false&delayms=3000&slide=id.g203416fede\\_0\\_203](https://docs.google.com/presentation/d/1FMyNvogofqojqG6nkIjgvvjAnsWs1qOtKUFExvtp_m0/pub?start=false&loop=false&delayms=3000&slide=id.g203416fede_0_203)

I'm just finding these questions. The thread has been moved to <https://bitcointalk.org/index.php?topic=1887061.0>.

80 [Alternate cryptocurrencies / Announcements \(Altcoins\) / Re: Veritaseum's P2P Capital Markets ICO Scheduled for 4/25/17 at Open of NY Markets](#) on: April 30, 2017, 08:13:22 PM

**Quote from: stereotype on April 17, 2017, 12:41:31 PM**

Any redemption details for Veritas.1, 2, and 3 tokens?

Veritas 2 and 3 tokens were never floated, so there are none to redeem. Veritas.1 tokens will be exchanged for the ERC20 tokens after the offering closes, at a

preferential rate to the .1 token holders.

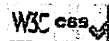
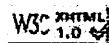
I'm just finding these questions. The thread has been moved to <https://bitcointalk.org/index.php?topic=1887061.0>. Please post there.

Pages: « 1 2 3 [4] 5 6 7 »

---



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# **Exhibit 19**

**From:** Slavica Knezic <dvintg@gmail.com>  
**Sent:** Sunday, June 4, 2017 12:00 PM  
**To:** ██████████ Middleton <██████████ Middleton <██████████@veritaseum.com>>  
**Subject:** Re: Tokens

---

Thank you very much....also for Etherdelta :)  
I do not have 20k ;). Maybe soon....

Best regards,  
Slavica

2017-06-04 17:39 GMT+02:00 ██████████ Middleton <██████████@veritaseum.com>:

There are currently a few VERI listed on etherdelta. We are also selling VERI in bulk(20k USD or more) at a price of 10 VERI per ETH if that fits your criteria.

██████████

On Fri, Jun 2, 2017 at 1:11 PM, Slavica Knezic <dvintg@gmail.com> wrote:

Hallo ██████████

I have tried 8-9 times on Myetherwalet (sinds 24 mei I think). At first (3-4) I didn't have enough Gas. Later on (5-6 times) with 63215 gas I made "a bad jump". Transaction was cancelled. 9x costs and gas was taken but no Veritaseum in my account...

☺ Thank you in advance... Is there a possibility to purchase tokens now?

Best regards , Slavica



Virusvrij. [www.avast.com](http://www.avast.com)

2017-06-02 18:24 GMT+02:00 ██████████ Middleton <██████████@veritaseum.com>:

Hi,

It appears you tried to purchase the tokens after ICO ended that is why you are unable to buy the VERI.

██████████

**From:** █████ Middleton <█████@veritaseum.com>  
**Sent:** Monday, June 5, 2017 6:54 PM  
**To:** edwardw32@yahoo.com  
**Subject:** Re: veritas purchase

---

Hi Edward,

There are currently some VERI listed on [etherdelta](#) and we are taking bulk purchases of VERI (20k USD or more) at the price of 10 VERI per ETH. Otherwise you will have to wait until it hits major exchanges.

█████



**From:** [REDACTED] Middleton <[REDACTED]@veritaseum.com>  
**Sent:** Tuesday, June 6, 2017 1:44 PM  
**To:** davidminers392@gmail.com  
**Subject:** Re: Inquiry from Website/ timeframe to purchase

---

Hi,

You can currently purchase VERI from us in bulk (20,000 USD or more) at the price of 10 VERI per ETH or you can purchase them off of a small exchange called etherdelta (see link below). Otherwise you will have to wait until Veritas tokens are listed on major exchanges.

<https://etherdelta.github.io/#0x8f3470a7388c05ee4e7af3d01d8c722b0ff52374-ETH>

[REDACTED]

**From:** ██████ Middleton <████████@veritaseum.com>  
**Sent:** Tuesday, June 6, 2017 2:51 PM  
**To:** djwhite81@gmail.com  
**Subject:** Re: veritaseum

---

Hi, if you are looking to buy Veritas in bulk (20k USD or more) you can purchase them from us at the price 10 VERI per ETH. VERI is also listed on the exchange etherdelta.

<https://etherdelta.github.io/#0x8f3470a7388c05ee4e7af3d01d8c722b0ff52374-ETH>

████████

**From:** ██████ Middleton <████████@veritaseum.com>  
**Sent:** Tuesday, June 6, 2017 3:00 PM  
**To:** revblc@hotmail.com  
**Subject:** Re: Veritaseum

---

Hi Kris,

There is currently some VERI listed on etherdelta (see link below) and if you would like you could purchase VERI from us in bulk (20k USD or more).

<https://etherdelta.github.io/#0x8f3470a7388c05ee4e7af3d01d8c722b0ff52374-ETH>

████████

**From:** [REDACTED] Middleton <[REDACTED]@veritaseum.com>  
**Sent:** Tuesday, June 6, 2017 3:40 PM  
**To:** XLONNIE@aol.com  
**Subject:** Re: Just talked to Reggie Middleton

---

Yes you can purchase them from us in bulk (20k USD or more) at the price of 10 VERI per ETH. There are also some VERI listen on the exchange etherdelta (see link below).

<https://etherdelta.github.io/#0x8f3470a7388c05ee4e7af3d01d8c722b0ff52374-ETH>

[REDACTED]

On Jun 5, 2017 6:09 PM, <XLONNIE@aol.com> wrote:

Hi [REDACTED] Reggie told me to e-mail you about purchasing some coin's  
Lionel Thomas  
[301-856-2850](tel:301-856-2850)

**From:** ██████████ Middleton <██████████@veritaseum.com>  
**Sent:** Wednesday, June 7, 2017 2:46 PM  
**To:** Syed Arif <Syed Arif <saarif92@gmail.com>>  
**Subject:** Re: Kind Regards

---

It is priced at a premium because in large quantities it is easier to buy from us as supposed to exchanges.

On Jun 7, 2017 2:44 PM, "Syed Arif" <saarif92@gmail.com> wrote:

Why is it priced in a premium? Wouldn't it be reasonable for it to be the other way around?

On Jun 7, 2017 2:42 PM, "██████████ Middleton" <██████████@veritaseum.com> wrote:

You we will give you an address to send your ETH to and we will send you the VERI. The price will be a 10% premium to the price on etherdelta.

On Jun 7, 2017 2:39 PM, "Syed Arif" <saarif92@gmail.com> wrote:

Hello ██████████

I am interested in buying bulk for 20,000 usd. Could you explain to me the procedure and the expected quantity.

Thank you

On Jun 6, 2017 11:39 PM, "██████████ Middleton" <██████████@veritaseum.com> wrote:

Hi Syed,

Please not that if you were to purchase VERI from us you **would be purchasing software not making and investment**, if you still would like to proceed then you can buy VERI from us in bulk (20k USD or more) or you can purchase VERI on this small exchange etherdelta.

██████████

**From:** ██████ Middleton <████████@veritaseum.com>  
**Sent:** Friday, July 28, 2017 1:03 PM  
**To:** Cameron Noreiga Babb <Cameron Noreiga Babb <cnoreigababb@gmail.com>>  
**Subject:** Re: Interested buyer

---

Hi,

I cannot sell to you since it is not a bulk transaction but for .5 ETH, I could set up a time where we can do a call and I could walk you through how to purchase VERI on etherdelta.

████████  
On Thu, Jul 27, 2017 at 9:10 PM, Cameron Noreiga Babb <cnoreigababb@gmail.com> wrote:

Hello,

Would you be able to assist me in this transaction? If so, should the exchange be done with Ethereum?

I apologize for any inconvenience!

Thank you,  
Cameron Noreiga Babb

On Thu, Jul 27, 2017 at 12:31 PM Cameron Noreiga Babb <cnoreigababb@gmail.com> wrote:

We're located in Houston, and we're interested in purchasing \$2,000 worth.

On Thu, Jul 27, 2017 at 12:27 PM ██████ Middleton <████████@veritaseum.com> wrote:

How much are you looking to buy?

████████  
On Thu, Jul 27, 2017 at 1:25 PM, Cameron Noreiga Babb <cnoreigababb@gmail.com> wrote:

To whom it may concern:

Good Afternoon,

Recently, my mother and I have learned about Veritaseum and have grown much interest in it. Through further research, we have tried purchasing it through the EtherDelta wallet. However, since it is a bit confusing on how the exchange process goes my mother was able to call and speak with Reggie Middleton. He has referred us to you.

If you could assist us with purchasing Veritaseum, it would greatly appreciated.

Thank you,

Cameron Noreiga Babb

**From:** Reggie Middleton <reggie@veritaseum.com>  
**Sent:** Monday, June 12, 2017 8:01 PM  
**To:** Tim Hawkins <Tim Hawkins <tdhawk.tim@gmail.com>>  
**Subject:** Re: Veritas token

---

50 ETH and up.

On Jun 12, 2017 7:48 PM, "Tim Hawkins" <tdhawk.tim@gmail.com> wrote:

Well, was able to buy some tokens this pass weekend. The website was down for some time. When you say "buy in bulk" what are the quantities?

Sent from my iPhone

On Jun 9, 2017, at 1:26 PM, Reggie Middleton <reggie@veritaseum.com> wrote:

For now, it's Etherdelta or direct sale from someone else. We will sell in bulk.

On Jun 9, 2017 1:34 PM, "Tim Hawkins" <tdhawk.tim@gmail.com> wrote:

Yeah, I tried that website and it wasn't loading properly. So, myetherwallet is still viable option?

Sent from my iPhone

On Jun 8, 2017, at 4:52 PM, Reggie Middleton <reggie@veritaseum.com> wrote:

You can purchase Veritas through the decentralized exchange Etherdelta. The exchange is in relatively early development, slower than average and not as intuitive, but proffers autonomous features that none of the bigger exchanges offer, with the primary advantage being you get to retain control, possession and ownership of your private keys. You can access Etherdelta here <https://etherdelta.github.io/#0x8f3470a7388c05ee4e7af3d01d8c722b0ff52374-ETH>

The Veritaseum community is fairly effervescent. Here is a community-authored written tutorial on purchasing Veritaseum on the decentralized exchange Etherdelta <https://steemit.com/tutorials/@dawidrams/you-can-already-buy-veritaseum-tokens-and-i-will-show-you-how-to-tame-etherdelta-exchange>

A community-authored tutorial video on purchasing Veritaseum on the decentralized exchange Etherdelta <https://www.youtube.com/watch?v=acRAMEgQ0m0>

Cordially,  
Reggie Middleton  
Disruptor-in-Chief

**Veritaseum**

[718-407-4751](tel:718-407-4751)



718-40RISK1

About Reggie Middleton:

Sizzle reel <https://www.youtube.com/watch?v=sJ0p8u1tsQ>

Wikipedia: [https://en.wikipedia.org/wiki/Reggie\\_Middleton](https://en.wikipedia.org/wiki/Reggie_Middleton)

LinkedIn: <https://www.linkedin.com/in/reggiemiddleton>

About Veritaseum - an interactive presentation: <https://docs.google.com/presentation/d/1aIpJTTofcYIOpqmPNeCHNUTJ2ytSdWMs12mrGAyP8o/pub?start=false&loop=false&delayms=600000>

Introducing the P2P economy (scroll down to see the content): <https://blog.veritaseum.com/index.php/34-projects/51-the-peer-to-peer-economy>

Pathogenic Finance Research Report (contains patent application research): <https://blog.veritaseum.com/index.php/download/research/send/4-research/313-pathogenic-finance>

Pathogenic Finance Vidco (synopsis of the above): <https://youtu.be/vf8-HI78pM>

On Thu, Jun 8, 2017 at 11:13 AM, Tim Hawkins <[tdhawk.tim@gmail.com](mailto:tdhawk.tim@gmail.com)> wrote:

What is the best way to buy your tokens?

Sent from my iPhone

**From:** Reggie Middleton <reggie@veritaseum.com>  
**Sent:** Monday, June 12, 2017 10:06 AM  
**To:** Magnus Beck <Magnus Beck <magnusb@4u.net>>  
**Subject:** Re: VERI

---

The initial price is long gone. Very is trading over 30x the ICO price now. You can buy some from Etherdelta.io or purchase from us directly from us in bulk (100 ETH or more).

Cordially,  
Reggie Middleton  
Disruptor-in-Chief

**Veritaseum**

718-407-4751  
718-40RISK1

About Reggie Middleton:

Sizzle reel <https://www.youtube.com/watch?v=sJ0p8u1tsQ>

Wikipedia: [https://en.wikipedia.org/wiki/Reggie\\_Middleton](https://en.wikipedia.org/wiki/Reggie_Middleton)

LinkedIn: <https://www.linkedin.com/in/reggiemiddleton>

About Veritaseum - an interactive

presentation: [https://docs.google.com/presentation/d/1aIpJTTofcYIOpqmPNeCHNUTJ2ytSdWMS\\_l2mrGAyP8o/pub?start=false&loop=false&delayms=600000](https://docs.google.com/presentation/d/1aIpJTTofcYIOpqmPNeCHNUTJ2ytSdWMS_l2mrGAyP8o/pub?start=false&loop=false&delayms=600000)

Introducing the P2P economy (scroll down to see the content): <https://blog.veritaseum.com/index.php/34-projects/51-the-peer-to-peer-economy>

Pathogenic Finance Research Report (contains patent application research): <https://blog.veritaseum.com/index.php/download/research/send/4-research/313-pathogenic-finance>

Pathogenic Finance Video (synopsis of the above): <https://youtu.be/vf8-HI78pM>

On Mon, Jun 12, 2017 at 9:57 AM, Magnus Beck <magnusb@4u.net> wrote:

Hi Reggie, i have been a fan and been following you for 5 years on youtube, but did not react quickly enough to get in to the VERI Sale. I took forever to set up an account and buy ETH. Really sad about this!!

Is it some way i get still get a good chunk of VERI at initial price?

Thanks!!

/M

# **Exhibit 20**

**From:** John C <jcave46@yahoo.com>  
**Sent:** Thursday, June 22, 2017 4:42 PM  
**To:** ██████ Middleton <█████ Middleton <█████@veritaseum.com>>; Reggie Middleton <Reggie Middleton <reggie@veritaseum.com>>  
**Subject:** Re: misunderstandings  
**Attach:** Orders 2017-06-21 12-52-23.jpg; Aurinum Online Münzelhandel 2017-06-21 12-46-52.jpg; Lloyds Bank - View Product Details 2017-06-22 20-21-52.jpg; CHARLES FRENCH COMPLETION FINANCIAL STATEMENT.docx; Mr Cave-Memndoraum Of Sale.docx

---

HI ██████

thanks for getting back to me so quickly.  
i would understand a denial for the reasons you have given, but i must say there has been a quite large misunderstanding of my general finances and an even larger one of my intended use of this purchase. Please would you allow me a further 2 minutes of your time to make a more thorough explanation.

*my intended use of the purchase:*

in the previous email my reference to the word 'invest' wasn't an appropriate terminology to use given that my understanding was/is the tokens themselves are simply a vehicle through which high quality forensic financial valuations can be purchased and benefited from through smart contract software, and in so doing can be brought to and accessed by end users, peer-to-peer and do away with middlemen. though i did use the word invest in my sentence '*Before deciding to invest the 50 ETHER i sent in the earlier ICO*' the meaning here was that the purchase would be a monetary outgoing, a monetary consideration that i was weighing against the expected returns from the use of smart contracts. i can assure you that i was specifically referencing the expected gains to be had from the smart contracts and NOT the tokens, not the vehicles used only to access the smart contracts. i think perhaps if my interest was limited purely to just the tokens i may have mentioned things like token 'appreciation', token value or the wish or intent to make money from selling tokens, or could have either asked, stated or at least shown some interest in what the tokens would be worth in future..

during reggies Q&A and AMA videos on youtube a couple of times when people suggested or had asked whether the tokens themselves were the investment he was very quick, clear and unambiguous in his reply, when buying VERI tokens we are buying access to tokenised software, the software and the smart contracts are the tokens end use and where the real value lays. below are two other things i wrote which were acknowledging the same.

*"im so glad to see people are more and more seeing and spreading the word about the potential that exists within this software"*

*"i see Reggies vision as not one that will merely 'survive' through the coming hard times, but actually THRIVE within them"*

my meaning here, when the bond, shares and stock markets have all collapsed, peer-to-peer 'locked-in' non-defaulting agreements will be seen as the only trusted way to do business.

My overall financial situation..

in the previous email i stated that the 200 ETH ''was all i had'', i should have more accurately included ''at this time'' at the end, but i was mindful of the fact that the institutions phase of buying access to this software may be drawing to an end at any time, because of this my liquid assets which were currently available were all that seemed relevant to mention.

in two to three weeks £55'000/\$70'000 of equity is being released when i exchange contracts with the buyer of my current house, and simultaneously that day make my purchase of a house thats £68'000/86'000 less than what im getting for my own home.

as proof of this iv attached both the estate agents memorandum of sale which states im receiving £495'000, and the solicitors final completion costings which details a £55'000/\$70'000 release of equity after all purchase costs and solicitors fees are deducted.

as well as this, i also have a \$31'000 silver bullion position (in my own possession, not in vault were i dont have control over it)

as proof of this please see the attached two screenshots of the silver bullion sites ''my order totals'' from two silver bullion dealers, the figures in these two screenshots add up to \$27'593

plus add a few smaller purchases of silver bullion coins from ebay suppliers and this takes my silver position to just a fraction under \$31'000

i also have some money stored away in my bank account which is purely in case hardship \$8415, again a screenshot is attached.

release of equity from home sale (2-3 weeks from now) \$70'000

silver bullion coin position (in own possession) \$31'000

money in my ''contingency'' bank a/c \$8415

current value of 200 ETH \$67'000

TOTAL \$174'415.00

Given that this is a more accurate understanding of my current (non residential) assets (or at least the assets which i am able to show proof of) please could i only now purchase a further 50 ETHER's worth of VERI smart contract financial software tokens?

if the worst were to happen, 50 ETHER is an amount i 'could' comfortably afford to lose.

my idea is to wait until after moving home when my mind is a little more settled (it's been a bit chaotic the last few weeks, and now even more so with so many things packed in boxes and inaccessible) then my intention is to start off with a portion of the equity released from the house sale to test the waters with one or two small smart contract agreements. Reggies idea of renting the tokens out is also very appealing, il be keeping a lookout for updates on that.

yours most sincerely

john cave

On Tuesday, 20 June 2017, 22:39, [REDACTED] Middleton <[REDACTED]@veritaseum.com> wrote:

Hi,

I am afraid I cannot accept your payment because you are trying to invest (this is a software purchase not an investment, please read the terms and conditions as well as the product purchase agreement below) and the fact that you state that it is your last dollar strongly hints that this product purchase may not be suitable for you. Whether you speculate on it or not is up to you but we can not be seen as marketing VERI as an investment, especially after explaining your situation. If you were to put your last dollar into VERI and it were to tank, as you said your self, your life would be on the line and you would not be able to make use of it as utility. We cannot, in good conscious, let you take such a big risk.

# **Exhibit 21**



**From:** ██████ Middleton <████████@veritaseum.com>  
**Sent:** Tuesday, June 6, 2017 1:56 PM  
**To:** Barry Mak <Barry Mak <bmak@nal.ca>>  
**Subject:** RE: Veritaseum - I want to ask a very legitimite question

---

Sorry we can not accept purchases under 20,000 USD.

████████  
On Jun 6, 2017 1:38 PM, "Barry Mak" <bmak@nal.ca> wrote:

Hi ██████

Sorry I am getting back to you so late as I am just got back to the office today but thank you and I really appreciate you having replied back to me when you are so busy trying to get up and running. One last question...how about 10k USD? Anyways, I wish you, Reggie, and Veritaseum all the success and from what I have heard and read, your team will. Thanks again.

Barry

*"to make new discoveries, you have to lose sight of the shore"*

**From:** ██████ Middleton [mailto:████████@veritaseum.com]  
**Sent:** Sunday, June 04, 2017 10:46 AM  
**To:** Barry Mak  
**Subject:** Re: Veritaseum - I want to ask a very legitimite question

*WARNING - External email; exercise caution*

Hi Barry,

Unfortunately the ICO is over and you cannot buy VERI from us unless you would be willing to buy in bulk(20k USD or more) but there are some VERI currently listed on [etherdelta](#).

████████  
This email constitutes a private and confidential communication for the sole use of the primary addressee and those individuals listed for copies in the original message. If you are not an intended recipient, then you are not authorized to receive this communication and you are hereby notified that copying, forwarding, disclosing or retaining this communication by any means is prohibited. If you believe you received it in error please notify the original sender immediately.

# **Exhibit 22**

# VeADIR: Veritaseum Autonomous Distributed Interactive Research

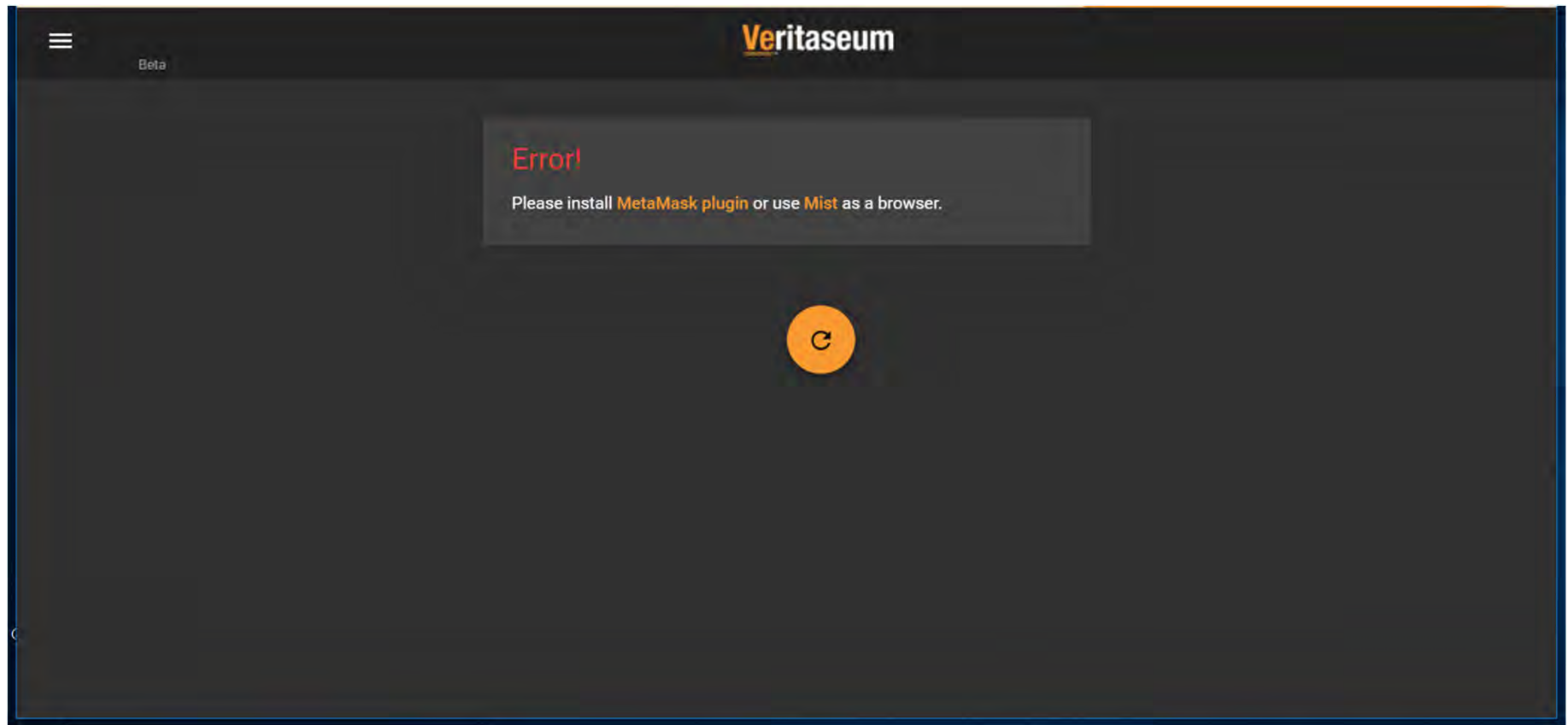
---

Technology Demonstration  
SEC New York Regional Office  
March 9, 2018

**COVINGTON**

BEIJING BRUSSELS DUBAI JOHANNESBURG LONDON LOS ANGELES NEW YORK  
SAN FRANCISCO SEOUL SHANGHAI SILICON VALLEY WASHINGTON

[www.cov.com](http://www.cov.com)



COVINGTON

The screenshot displays the VeADIR interface with the Veritaseum logo. At the top, it shows '37 Exposures opened' and '72.056 ETH Total volume'. A central error message reads: 'No account found. You won't be able to send any transactions before unlocking account. Please unlock account in MetaMask plugin.' Below this is a 'Close' button. On the left, a 'Portfolio' table lists assets: PayPie, Veritaseum, Ethereum, Populous, and Devery. io. On the right, a 'VeADIR latest trades' section lists transactions such as 'Sold OMG tokens' and 'Sold PPP tokens'.

Name	Units	Value	Value
PayPie	11,687.832	0.0013	
Veritaseum	64.264	0.22	
Ethereum	12.787	1.000 ETH	12.787 ETH
Populous	301.313	0.0238 ETH	7.174 ETH
Devery. io	20,179.426	0.000222 ETH	4.497 ETH

Assets Count: 9

Total Value: 64.698 ETH

Trade	Time	Value	Value
Sold OMG tokens	3 hours ago	+0.000625 ETH	-0.0330 OMG
Sold OMG tokens	3 hours ago	+0.000625 ETH	-0.0330 OMG
Sold OMG tokens	3 hours ago	+0.000402 ETH	-0.0200 OMG
Sold OMG tokens	3 hours ago	+0.000402 ETH	-0.0199 OMG
Sold PPP tokens	3 hours ago	+0.00676 ETH	-5.086 PPP
Sold PPP tokens	3 hours ago	+0.00676 ETH	-5.086 PPP

**VeADIR Beta** Veritaseum 0.000 ETH 0.000 VERI 0.000 ETH 0xd2c5

41 Exposures opened -4.583% Average exposure ROI 75.486 ETH Total volume

### Terms & conditions

Please note that this is a beta version of Veritaseum Rent app. It is intended exclusively for testing the user interface. There is material chance of loss of tokens placed into this app, for it is a beta. Although we strive to prevent any loss of tokens during the beta period, it is still quite possible.

By sending Ether and/or Veri tokens to this app, you acknowledge that your funds will be locked in the contract until the end of the orders/exposures you submit or until the refund procedure is executed by Veritaseum. You also acknowledge that there is a material risk of loss of said tokens.

The size of orders and exposure duration are limited, currents limits can be found next to corresponding form fields. The underlying VeADIR contract executes simplified trades that in many cases may result in losses. You will find a list of the assets VeADIR has traded on the "VeADIR Beta" portfolio page.

I have read and agree to the terms Continue

Name	Units
Veritaseum	67.150
PayPie	11,969,449
Crypterium	6,283.884
Ethereum	7.570
Populous	308.551
Gatcoin	341,563.522
Devery.io	21,086.387
OmiseGO	164.086

Asset	Value
Total Value	70,921 ETH

Trade	Value
Bought CRPT tokens	-11,379 CRPT -0.0077 ETH
Bought CRPT tokens	+1,415 CRPT 0.0095 ETH
Bought CRPT tokens	-4,516 CRPT -0.0283 ETH
Bought CRPT tokens	-6,000 CRPT -0.0375 ETH
Bought CRPT tokens	+5,000 CRPT -0.0312 ETH
Bought CRPT tokens	+0,000 CRPT -0.0000 ETH
Bought CRPT tokens	+0,000 CRPT -0.0000 ETH

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The screenshot displays the VeADIR Beta interface. At the top, the logo 'Veritaseum' is visible, along with wallet balances for 0.000 ETH and 0.000 VERI. The main dashboard shows 41 exposures opened, an average exposure ROI of -4.583%, and a total volume of 75.486 ETH. A central dialog box prompts the user to confirm the update to the new version of VeADIR Beta, published on February 26th. The dialog includes instructions for settling existing exposures and rentals before the update deadline and a 'Continue' button. To the left, a 'Portfolio' table lists assets such as Veritaseum, PayPie, Crypterium, and others. To the right, a 'VeADIR latest trades' section shows a series of 'Bought CRPT tokens' transactions.

Name	Units
Veritaseum	67.150
PayPie	11,969.449
Crypterium	6,283.884
Ethereum	7.570
Populous	308.551
Gatcoin	341,563.522
Devery.io	21,086.387
OmiseGO	164.086

Trade Description	Time	CRPT	ETH
Bought CRPT tokens	3 hours ago	+112.379	-0.0877
Bought CRPT tokens	3 hours ago	+13.485	-0.0105
Bought CRPT tokens	3 hours ago	+98.936	-0.0773
Bought CRPT tokens	3 hours ago	+0.000	-0.000
Bought CRPT tokens	3 hours ago	+0.000	-0.000
Bought CRPT tokens	3 hours ago	+0.000	-0.000
Bought CRPT tokens	3 hours ago	+0.000	-0.000
Bought CRPT tokens	3 hours ago	+0.000	-0.000

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Beta

**+**

37

Exposures opened

Last 30 days

-4.583%

Average exposure ROI

Last 30 days

**\$**

72.056 ETH

Total volume

Last 30 days

VeADIR latest trades

Sold OMG tokens +0.000625 ETH

3 hours ago -0.0330 OMG

Sold OMG tokens +0.000625 ETH

3 hours ago -0.0330 OMG

Sold OMG tokens +0.000402 ETH

3 hours ago -0.0200 OMG

Sold OMG tokens +0.000402 ETH

3 hours ago -0.0199 OMG

Sold PPP tokens +0.00676 ETH

3 hours ago -5.086 PPP

Sold PPP tokens +0.00676 ETH

3 hours ago -5.086 PPP

Portfolio

Name	Units	Price	Value	▾
PayPie	11,687.832	0.00136 ETH	15.953 ETH	
Veritaseum	64.264	0.221 ETH	14.260 ETH	
Ethereum	12.787	1.000 ETH	12.787 ETH	
Populous	301.313	0.0236 ETH	7.129 ETH	
Devery. io	20,179.426	0.000222 ETH	4.497 ETH	

Assets Count: 9 Total Value: 64.775 ETH

# Enabling VERI Tokens

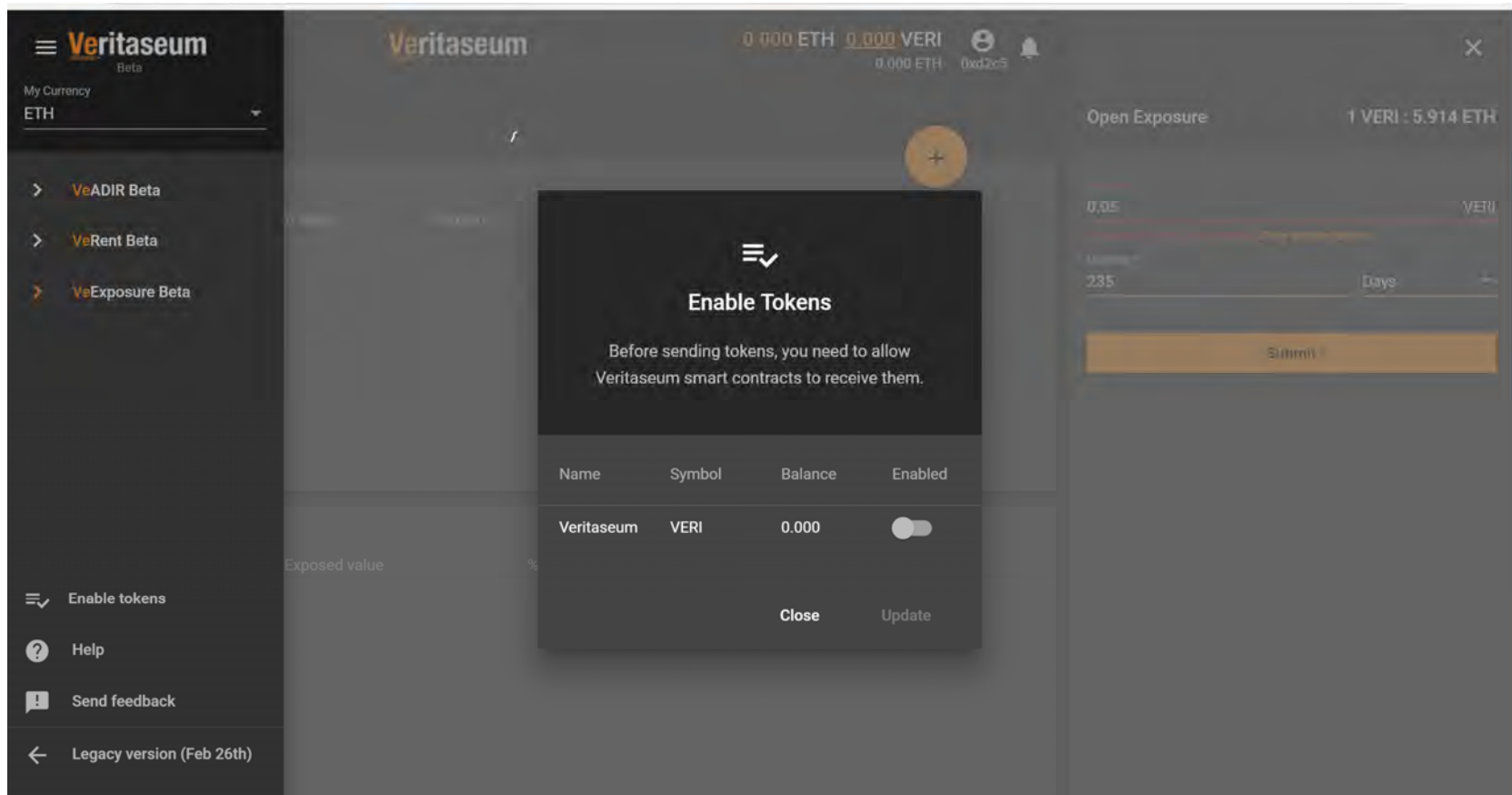
---

The screenshot shows the Veritaseum app interface. At the top, the user's wallet information is displayed: 0.000 ETH, 0.000 VERI, and the address 0xd2c5. The app title is 'Veritaseum' and the page title is 'Exposure Beta'. A large orange '+' button is visible in the top right of the main content area.

The main content area is divided into two sections: 'Opened exposures' and 'Closed exposures'. Both sections show a table with columns for 'Amount', 'Exposed value', '% Return', 'Time Left', and 'Status'. Both sections currently display 'No data to display'.

On the right side, there is a modal form titled 'Open Exposure' with a close button (X). The form shows a total value of '1 VERI : 5.914 ETH'. The 'Amount' field is highlighted with a red box and contains the value '0.05 VERI'. Below this, the 'Duration' is set to '235 Days'. A 'Submit' button is located at the bottom of the form.


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# Exposures

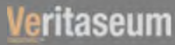
---



My Currency  
USD


- > VeADIR Beta
- > VeRent Beta
- > VeExposure Beta

- Enable tokens
- Help
- Send feedback
- Legacy version (Feb 26th)



181,295.819 USD
3,001.684 VERI

218.126 ETH
556,542.325 USD
0x9ed3



Exposed value	% Return	Time Left	Status
321	-6.607%	14d 3h 7m	In Contract
35.783	-9.684%	22d 6h 16m	In Contract
0.004	-6.657%	53d 10h 14m	In Contract
35.226	-7.454%	83d 9h 37m	In Contract
75.715	-13.234%	356d 21m	In Contract
0.041	-13.229%	361d 19m	In Contract

Exposed value	% Return	Status
\$10.071	-2.185%	Settled
\$205.244	-16.148%	Settled

Open Exposure
1 VERI : 4,915.421 USD

Amount \* VERI

Beta limit 0.002 VERI - 0.045 VERI

Duration \* Days

Submit

☰ Exposure
**Veritaseum**

181,295.819 USD
3,001.684 VERI

218.126 ETH
556,542.325 USD
0x9ed3

+

Opened exposures

Amount	Exposed value	% Return	Time Left ^	Status
0.005	\$25.321	-6.607%	14d 3h 7m	In Contract
0.845	\$4,335.783	-9.684%	22d 6h 16m	In Contract
0.084	\$423.004	-6.657%	53d 10h 14m	In Contract
0.845	\$4,255.226	-7.454%	83d 9h 37m	In Contract
0.845	\$4,275.715	-13.234%	356d 21m	In Contract
0.084	\$425.041	-13.229%	361d 19m	In Contract

Closed exposures

Amount	Exposed value	% Return	Status
0.002	\$10.071	-2.185%	Settled
0.040	\$205.244	-16.148%	Settled

Open Exposure 1 VERI : 4,915.421 USD

---

Amount \* VERI

Beta limit 0.002 VERI - 0.845 VERI

Duration \* Days ▾

Submit



☰ Exposure
**Veritaseum**

181,295.819 USD
3,001.684 VERI
218.126 ETH
556,542.325 USD
0x9ed3

✕

Opened exposures

Amount	Exposed value	% Return	Time Left ^	Status
0.005	\$25.321	-6.607%	14d 2h 46m	In Contract
0.845	\$4,335.783	-9.684%	22d 5h 56m	In Contract
0.084	\$423.004	-6.657%	53d 9h 53m	In Contract
0.845	\$4,255.226	-7.454%	83d 9h 16m	In Contract
0.845	\$4,275.715	-13.234%	356d	In Contract
0.084	\$425.041	-13.229%	360d 23h 58m	In Contract

Closed exposures

Amount	Exposed value	% Return	Status
0.002	\$10.071	-2.185%	Settled
0.040	\$205.244	-16.148%	Settled

Open Exposure 1 VERI : 4,915.421 USD

---

Amount \* VERI

0.05

Beta limit 0.002 VERI - 0.845 VERI Exposure Value: \$245.771

---

235 Days

---

Submit

**MetaMask Notification**

**CONFIRM TRANSACTION** Main Network

**Working Account**  
9eD32A...75Ac  
218.126 ETH  
180619.63 USD

Amount: 0.295700 ETH (244.85 USD)

Gas Limit: 1000000 UNITS

Gas Price: 2 GWEI

Max Transaction Fee: 0.002000 ETH (1.66 USD)

Max Total: 0.297700 ETH (246.51 USD)

Data included: 100 bytes

RESET SUBMIT REJECT

**seum** 181,050.048 USD 3,001.634 VERI  
217.830 ETH 556,533.055 USD 0x9ed3

% Return	Time Left	Status
0.000%	235d	Pending
-6.607%	14d 2h 46m	In Contract
-9.684%	22d 5h 56m	In Contract
-6.657%	53d 9h 53m	In Contract
-7.454%	83d 9h 16m	In Contract
-13.234%	356d	In Contract

**Exposure**

Current Value: 252.220 USD

Status: Pending

% Return on exposed value: 0.000%

%USD Return on exposed value: 0.000%

Progress: 0.000%

Opening

COVINGTON

☰ Exposure
**Veritaseum**

181,295.819 USD
3,001.684 VERI
👤 0x9ed3

← Exposure
✕

Opened exposures

Amount	Exposed value	% Return	Time Left	Status
0.005	\$25.321	-6.607%	14d 3h 2m	In Contract
0.845	\$4,335.783	-9.684%	22d 6h 11m	In Contract
0.084	\$423.004	-6.657%	53d 10h 8m	In Contract
0.845	\$4,255.226	-7.454%	83d 9h 32m	In Contract
0.845	\$4,275.715	-13.234%	356d 16m	In Contract
0.084	\$425.041	-13.229%	361d 14m	In Contract

Closed exposures

Amount	Exposed value	% Return	Status
0.002	\$10.071	-2.185%	Settled
0.040	\$205.244	-16.148%	Settled

Current Value  
**3,698.448 USD**

% Return on exposed value  
-13.234%

%USD Return on exposed value  
-13.502%

Progress  
**1.108%**

---

- 🌐 Exposure currency  
ETH
- 💰 Exposed value  
4,275.715 USD
- 💰 Fee amount  
0.845 VERI
- 📅 Period  
Mar 2, 2018 - Feb 25, 2019

☰ Exposure
**Veritaseum**

181,295.819 USD
3,001.684 VERI

Opened exposures

Amount	Exposed value	% Return	Time Left ^	Status
0.005	\$25.321	-6.607%	14d 2h 53m	In Contract
0.845	\$4,335.783	-9.684%	22d 6h 3m	In Contract
0.084	\$423.004	-6.657%	53d 10h	In Contract
0.845	\$4,255.226	-7.454%	83d 9h 23m	In Contract
0.845	\$4,275.715	-13.234%	356d 8m	In Contract
0.084	\$425.041	-13.229%	361d 5m	In Contract

Closed exposures

Amount	Exposed value	% Return	Status
0.002	\$10.071	-2.185%	Settled
0.040	\$205.244	-16.148%	Settled

Current Value  
**3,698.448 USD**

Status  
**In Contract**

% Return on exposed value  
**-13.234%**

%USD Return on exposed value  
**-13.502%**

Progress  
**1.110%**

	Initial	Current	% Change
Value ETH	4.997	4.336	-13.234%
ETH/USD	855.600	852.960	-0.309%
Value USD	4,275.715	3,698.448	-13.502%

☰ Exposure
**Veritaseum**

181,295.819 USD
3,001.684 VERI

218.126 ETH
556,542.325 USD
0x9ed3

← Exposure ×

Opened exposures
+

Amount	Exposed value	% Return	Time Left ^	Status
0.005	\$25.321	-6.607%	14d 2h 53m	In Contract
0.845	\$4,335.783	-9.684%	22d 6h 2m	In Contract
0.084	\$423.004	-6.657%	53d 10h	In Contract
0.845	\$4,255.226	-7.454%	83d 9h 23m	In Contract
0.845	\$4,275.715	-13.234%	356d 7m	In Contract
0.084	\$425.041	-13.229%	361d 5m	In Contract

Closed exposures

Amount	Exposed value	% Return	Status
0.002	\$10.071	-2.185%	Settled
0.040	\$205.244	-16.148%	Settled

Current Value

**3,698.448 USD**

Status

**In Contract**

% Return on exposed value

-13.234%

%USD Return on exposed value

-13.502%

Progress

1.110%


Opened

4 days ago

Collected

4 days ago

IF THE CRYPTONITE SHIELD IS GREEN IT MEANS THIS URL IS SAFE. DON'T SHOW ME THIS AGAIN

 LOGIN | Search by Address / Txhash / Block / Token / ENS


HOME BLOCKCHAIN ACCOUNT TOKEN CHART MISC

Transaction [0x6a9864db31496ee91b3db9c826410c7fe02b585b88895e1c0002383922b49aa9](#) Home Transactions Transaction Information

Sponsored Link: [Play2Live.io](#) is a blockchain-based eSports streaming platform. \$24m+ raised so far. [Join ICO now!](#)

Overview Internal Transactions Event Logs Comments

Transaction Information Tools & Utilities

TxHash:	0x6a9864db31496ee91b3db9c826410c7fe02b585b88895e1c0002383922b49aa9
TxReceipt Status:	Success
Block Height:	<a href="#">5183016</a> (24838 block confirmations)
TimeStamp:	4 days 3 hrs ago (Mar-02-2018 12:25:23 PM +UTC)
From:	
To:	<a href="#">Contract 0x58f1a9f0b35d87ca725c1848e39f2252b3c4e6d</a> 
Value:	0 Ether (\$0.00)

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☰ Exposure
**Veritaseum**

181,295.819 USD
3,001.684 VERI

←
**Exposure**
✕

218.126 ETH
556,542.325 USD
0x9ed3

Current Value  
**3,698.448 USD**

Status  
**In Contract**

% Return on exposed value  
-13.234%

%USD Return on exposed value  
-13.502%

Progress  
**1.108%**

Opened exposures

Amount	Exposed value	% Return	Time Left ^	Status	
0.005	\$25.321	-6.607%	14d 3h 1m	In Contract	⋮
0.845	\$4,335.783	-9.684%	22d 6h 10m	In Contract	⋮
0.084	\$423.004	-6.657%	53d 10h 7m	In Contract	⋮
0.845	\$4,255.226	-7.454%	83d 9h 31m	In Contract	⋮
0.845	\$4,275.715	-13.234%	356d 15m	In C	
0.084	\$425.041	-13.229%	361d 13m	In C	⌛ Close exposure

Closed exposures

Amount	Exposed value	% Return	Status
0.002	\$10.071	-2.185%	Settled
0.040	\$205.244	-16.148%	Settled

🌐 Exposure currency  
ETH
ⓘ

💰 Exposed value  
4,275.715 USD
ⓘ

💰 Fee amount  
0.845 VERI
ⓘ

📅 Period  
Mar 2, 2018 - Feb 25, 2019
ⓘ



**Veritaseum**

181,049.803 USD 3,001,634 VERI

0x9ed3

### Close exposure

You are in control of exposed funds for the whole exposure duration. At any time you can initiate closing procedure.

This action will order VeADIR to start selling the assets of the exposure, or alternatively, deliver said assets if you have chosen the "Take delivery" option.

Selling assets usually takes up to 24 hours and during this time exposure will be in "Closing" state. Once assets are sold, you will be able to settle the exposure.

This action CANNOT be reverted and VERI tokens will not be returned.

I understand and wish to proceed.

Close dialog Continue

**Exposure** (Beta)

Current Value: 252.220 USD  
Status: In Contract

% Return on exposed value: 0.000%  
%USD Return on exposed value: 0.000%  
Progress: 0.001%

Opened exposures		
Amount	Exposed value	% Return
0.005	\$25.321	-6.607%
0.845	\$4,335.783	-9.684%
0.084	\$423.004	-6.657%
0.845	\$4,255.226	-7.454%
0.050	\$252.220	0.000%
0.845	\$4,275.715	-13.234%

Closed exposures		
Amount	Exposed value	%
0.002	\$10.071	-2
0.040	\$205.244	-1

Exposure currency: ETH

Exposed value: 252.220 USD

Fee amount: 0.0500 VERI

Period: Mar 6, 2018 - Oct 27, 2018

# Economic Rent

---

**Rent**  
Beta

Veritaseum

Get VERI Tokens Offer VERI Tokens

Offers

Amount	Value	Price	Duration	Expiration
No data to display				

Recent rentals

Amount	Exposed value	Price	Duration
0.500	\$2,557.302	12.000%	45d

The screenshot displays the Veritaseum 'Rent' interface. At the top, the user's wallet information is shown: 181,049.803 USD (217.830 ETH) and 3,001.634 VERI (556,533.055 USD). The user's address is 0x9ed3. The interface is divided into two main sections: 'Offers' and 'Recent rentals'. The 'Offers' section is currently empty, displaying 'No data to display'. The 'Recent rentals' section shows a single entry with an amount of 0.500, an exposed value of \$2,557.302, a price of 12.000%, and a duration of 45d. On the right side, the 'Offer Veri' form is active, showing a total value of 1 VERI : 4,915.421 USD. The form includes fields for Amount (0.003 VERI), Beta limit (0.002 VERI - 0.845 VERI), Price (10 % ROI), Duration (30 Days), and Expiration (60 Days, approx 05/05/2018). A 'Submit' button is located at the bottom of the form.

Amount	Value	Price	Duration	Expiration
No data to display				

Amount	Exposed value	Price	Duration
0.500	\$2,557.302	12.000%	45d

Amount	Price	Duration	Expiration
0.003	10 % ROI	30 Days	60 Days (approx 05/05/2018)

The screenshot displays the Veritaseum Rent app interface. At the top, the user's wallet information is shown: 181,049.803 USD, 3,001.634 VERI, 217.830 ETH, and 556,533.055 USD. The app is in a 'Beta' state. The main navigation includes 'Get VERI Tokens' and 'Offer VERI Tokens'. A confirmation dialog box is centered on the screen, titled 'Please confirm before continuing'. The dialog contains the following text:

**Please confirm before continuing**

You are about to submit an order to Veritaseum Rent app. By confirming the transaction you are sending the specified amount of Ether and Veri from you Metamask wallet to the rental contract.

Your order will be visible shortly in "My offers" table, after it has been included on the blockchain. You can cancel your orders by clicking on the trashcan icon in "My offers" table.

When your order is matched, a VeADIR exposure is opened. You can view your exposures in the "Opened exposures" table. Once the exposure is closed, it is moved to "Closed exposures" table. In order to settle a closed exposure and withdraw your funds, click on the dollar icon next to it.

The app works fully on Ethereum blockchain which requires "gas" to execute any operation on it. This incurs cost to the user in the form of transaction fee.

Don't show again Continue

The background interface shows the 'Offer Veri' form with the following details:

- Amount: 0.003 VERI
- Beta limit: 0.002 VERI - 0.0045 VERI
- Price: 10 % ROI
- Duration: 30 Days
- Expiration: 60 Days (approx. 05/05/2018)
- Submit button

Other visible sections include 'Offers' (No data to display) and 'Recent rentals' (Amount: 0.500, Exposed value: \$2,557.302).

The screenshot displays the Veritaseum mobile application interface. At the top, the 'Rent' screen is active, showing the Veritaseum logo and user balances: 181,049.803 USD (217.830 ETH) and 3,001.631 VERI (556,532.499 USD). The user's address is 0x9ed3. The interface is split into two main sections: 'Offers' and 'My offers'.

The 'Offers' section is currently empty, displaying 'No data to display'. Below it, the 'Recent rentals' section shows a single entry:

Amount	Exposed value	Price	Duration
0.500	\$2,557.302	12.000%	45d

The 'My offers' section at the bottom contains a table with a notification highlighted by a red circle:

Amount	Price	Duration	Transaction created	
			Transaction created	

The right-hand side of the screen shows a detailed view of an 'Offer' (#551...551) which is in a 'Pending' state. It includes tabs for 'INFO' and 'TIMELINE', and a section for 'Adding offer'.





☰ Rent Beta

181,049.803 USD
3,001.631 VERI
217.830 ETH
556,532.499 USD
0x9ed3

?
✕

Get VERI Tokens

Offer VERI Tokens

+

Offers

Value	Amount	Price ^	Duration	Expiration	
\$1,966.168	0.400	10.000%	180d	—	🛒
\$4,153.530	0.845	18.888%	180d	115d 23h 46m	🛒
\$4,153.530	0.845	19.980%	270d	24d 23h 40m	🛒
\$4,153.530	0.845	19.995%	120d	142d 23h 53m	🛒

Get Veri 1 VERI : 4,915.421 USD

---

Exposure Value \* ETH

Beta limit 0.010 ETH - 5.000 ETH

---

Price \* % ROI

---

Duration \* Days ▼

---

Expiration Days ▼

never

Submit

Recent rentals

Amount	Exposed value	Price	Duration
0.500	\$2,557.302	12.000%	45d

My offers

Value	Price	Duration	Expiration ^
-------	-------	----------	--------------

# COVINGTON

BEIJING BRUSSELS DUBAI JOHANNESBURG LONDON LOS ANGELES NEW YORK  
SAN FRANCISCO SEOUL SHANGHAI SILICON VALLEY WASHINGTON

[www.cov.com](http://www.cov.com)

# **Exhibit 23**

**From:** Paul Ronald Reece <preece3269@aol.com>  
**Sent:** Wednesday, June 14, 2017 7:46 AM  
**To:** earl@echapmangroup.com; reggie@veritaseum.com  
**Cc:** preece@fly-jamaica.com  
**Subject:** Re: USD\$20M

---

Dear Reggie,

Pleased to meet you. I will call you at 10:00am EST as Earl has suggested.  
I have copied my company e-mail address.  
Thanks,  
Brgds,  
Paul

-----Original Message-----

From: Earl Chapman <earl@echapmangroup.com>  
To: Paul Ronald Reece <preece3269@aol.com>; Reggie Middleton <reggie@veritaseum.com>  
Sent: Tue, Jun 13, 2017 7:51 pm  
Subject: Re: USD\$20M

Hey Captain,

Got your email request, spoke to my friend and business associate Reggie Middleton regarding the request and he stated he can do the deal. Please email him directly or call him on his cell 1 718 407 4751.

Reggie meet Captain Reece, my good friend, and adopted father. He has built a great Airline and need help adding 2 more planes ASAP. He has the business to accommodate the need and need our help. Please feel free to call him on 1 516 697 0686

Reggie, I appreciate your interest greatly.

Earl

# **Exhibit 24**

LITO MOU

### Memorandum of Understanding

This agreement is entered into as of June \_\_\_\_\_, 2017 between:

**Reginald Middleton**, an individual whose address is \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_(the "INVESTOR"), and

**LITO Green Motion Inc.**, a private company organised and existing under the laws of Canada whose address is 794, Guimond, Longueuil, Quebec, Canada, J4G 1T5 ("LITO"), and

Collectively referred to as the "Parties".

INVESTOR wishes to become the majority shareholder of LITO and will organise other rounds of financing for the next phase of growth of LITO.

#### 1. Investment in LITO

The INVESTOR agrees to invest a total of ~~\$750,000~~ (the "INVESTMENT") in common share of LITO for a total post issuance equity participation of ~~75%~~. LITO will issue a sufficient number of shares for the INVESTOR to have such ownership as indicated above. LITO will modify its capital structure to have all current shareholders (except employees other than Management and stock issued under the stock option plan) in the same class category as the new issued shares.

**Commented [RM1]:** I didn't agree to a price, and can't even give you a price until i have went over your finances and due diligence. I used a nonomical plaveholde number which has nother to do with the price that I would be offering for the company.

**Commented [RM2]:** Again, we can't discuss this number until i have an idea of what it is that I am buying

**Commented [RM3]:** Premture, again, I need to know what I am buying

#### 2. Cash Advance and Closing

~~The INVESTOR agrees, upon signing this agreement, to remit to LITO, by cheque or wire transfer, an amount of \$200,000 as a partial payment of the INVESTMENT.~~

These funds will be used to support LITO's operation, as identified on the attached cash flow forecast, between the date of signing this agreement and closing of this transaction. The balance will be paid upon the issuance of common stock of LITO to the INVESTOR and the signing of a shareholders agreement, acceptable to all Parties, no later than ~~July 31<sup>st</sup>, 2017~~ (the "Closing Date").

**Commented [RM4]:** I never agreed to this.

**Commented [RM5]:** No private equity deal has a 30 day closing date. These deals usually take many months, with many outs. I choose not to play games, thus I can give you 30 days at the right price and the right terms. We have yet to discuss that and the 30 days has to come at the end of the due diligence peiod.

#### 3. Management Salaries

LITO's management includes Jean-Pierre Legris, the founder and President, and largest shareholder of LITO; and René Dubord, Vice President Finance & Administration and second largest shareholder in LITO (together "Management").

Management agrees to receive only a portion of their normal yearly salaries during the period between the signing of this agreement and the completion of a larger financing, expected to be completed before the end of 2017. Salary will be set at \$80,000 per year for Jean-Pierre Legris and \$65,000 per year for René Dubord.

#### 4. Representations and Warranties

LITO confirms it is the sole owner of the developed technologies of the SORA 100% electric motorcycle.

LITO MOU

**5. Other Important Information**

The INVESTOR is aware that LITO's current business and marketing plan will require substantial investment totalling more than \$15 million in the next 3 to 5 years. In particular, a \$3,5M to \$5,0M financing round would be required before the end of 2017 to kick-start production and marketing plan.

Commented [RM6]: I was not aware of this, but we can discuss this as a discount to the purchase price when we get to that point.

The INVESTOR is aware of the current cash flow situation and agrees that part of the funds from the INVESTMENT will be used to repay certain secured loans, as described hereafter:

Commented [RM7]: I did nto agree that my investment would go to pay back loans. I simply inquired as to what the loans were and how lenient the banks have been.

- ~~Credit Line — Bank (Caisse-Desjardins): \$150,000~~
- ~~Investissement Québec — Essor: \$154,587~~
- ~~CLD — \$59,266~~

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LITO will not enter into any agreement with another party between the signing of this agreement and the Closing Date. Should the INVESTOR fail to complete the transaction before the Closing Date, LITO will have the right to seek other opportunities. ~~In such a case, the cash advance identified in section 2 above shall be considered an unsecured, non interest bearing loan.~~

Commented [RM8]: Any money that I give you will be secured by the assets of the company in 1st lien position.

**6. Governing Law**

This agreement shall be governed by the laws of the province of Quebec and those of Canada therein.

**INVESTOR**

Date : \_\_\_\_\_

Name : Reginald Middleton

Signature : \_\_\_\_\_

**LITO Green Motion Inc**

Date : \_\_\_\_\_

Name : Jean-Pierre Legris

Signature \_\_\_\_\_



# **Exhibit 25**



# Veritization of Advanced Family Care Medical Group (AFC)



*The Deal*

---



## Introduction



- ❑ Veritaseum LLC is seeking to **RAISE FUNDS** for Advance Family Care Medical Group ('AFM' or 'the Clinic') through an **ICO (INITIAL COIN OFFERING)**
- ❑ The proceeds from the ICO will be **UTILIZED FOR THE FUTURE GROWTH AND EXPANSION** of the Clinic
- ❑ Veritaseum will issue a **SPECIAL SERIES OF VERITAS TOKENS** for the ICO
- ❑ A **SPECIAL PURPOSE VEHICLE (SPV)** will be set-up for the proposed coin offering. The SPV will operate at cost
- ❑ The proposed investors participating in the ICO will have **DIRECT OWNERSHIP IN THE CLINIC AND ITS ASSETS**. Equity holding stake will be decided post-ICO
- ❑ Investors must be accredited and licensed MDs

# Investors will have direct access to the equity and assets of the Clinic



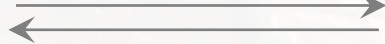
## DEAL STRUCTURE



An SPV will be set-up



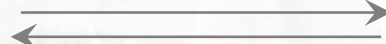
Investments



VERITAS tokens



Funds



Equity Stake



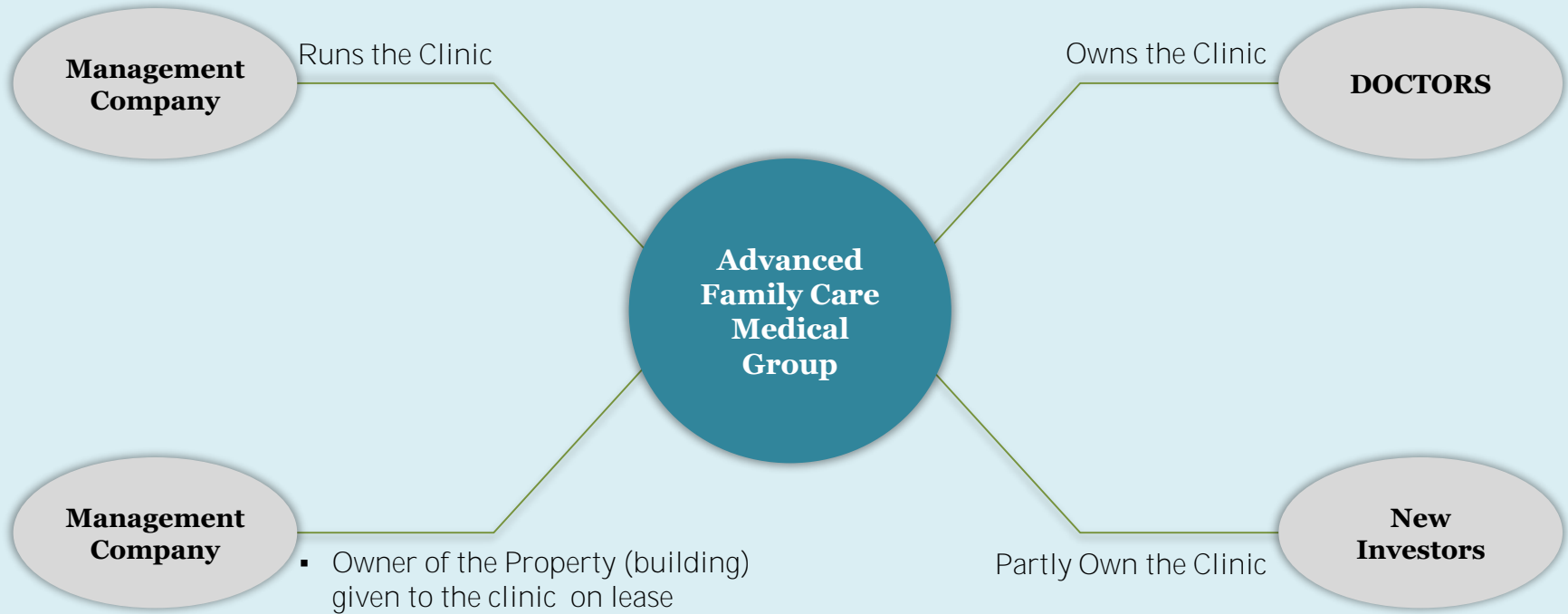
Advanced Family Care Medical Group

The proposed Investors will have direct ownership in the Clinic and its assets

# Operating Structure of AFC



## OPERATING & OWNERSHIP STRUCTURE – POST TRANSACTION





## Potential Benefits to the Investors



- Ownership in a leading clinic with significant growth potential – the clinic has the speculative potential for significant growth through adaptation of blockchain technology in its operations

- 
- Expected returns from the investment
    - Returns from growth in VERITAS tokens
    - Returns from growth of the Clinic's business
    - Returns from margin expansion due to blockchain tech infusion, record keeping

- 
- Access to liquidity – ownership of VERITAS Tokens will provide liquidity to investors to exit anytime, eliminating illiquidity discount found in private equity

- 
- No lock-in period for exit from the investment

- 
- Access to all benefits of ownership in the Clinic

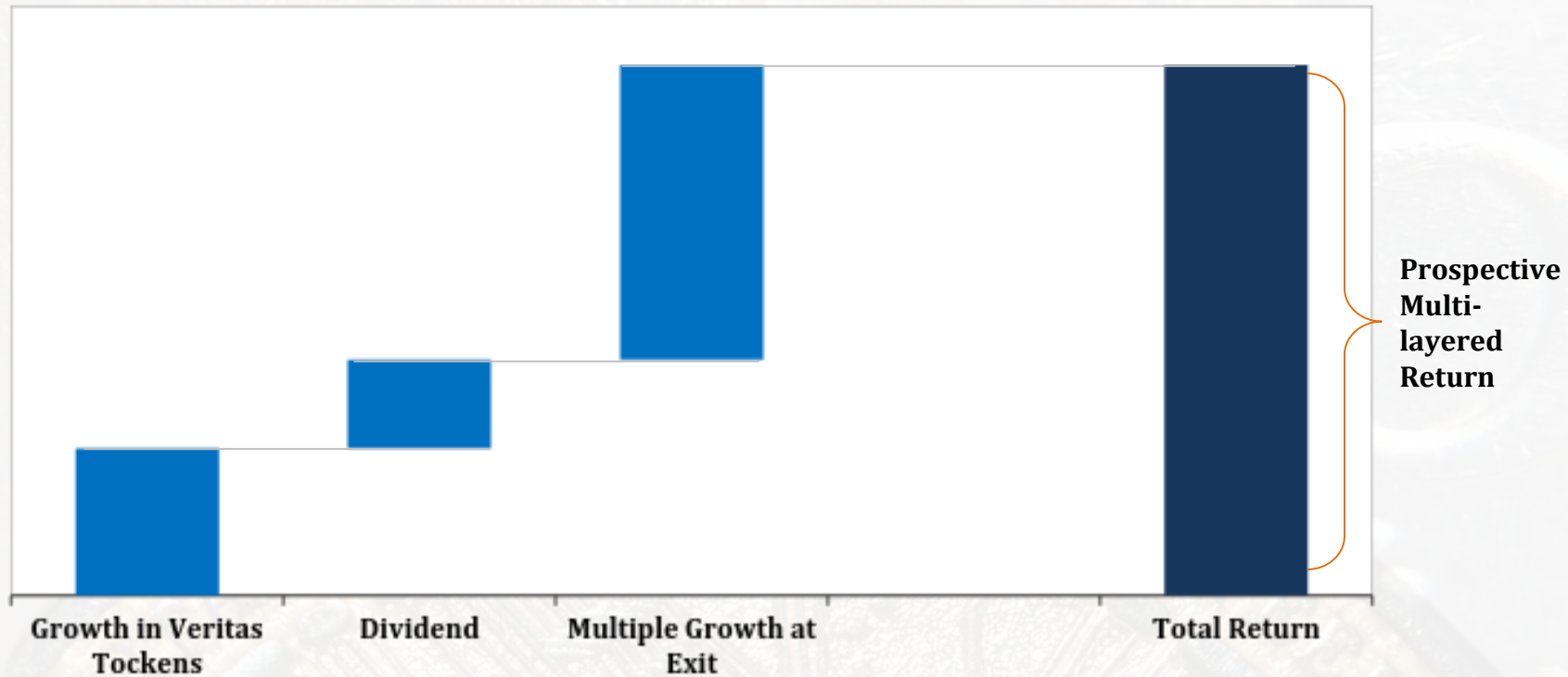
### FOR INVESTORS



## Return to the Investors



The Investors will be able to earn multi-layered returns from the investment. Besides the growth in the underlying Clinic and growth in multiple at the time of exit, they will also enjoy the benefit of all the upsides in VERITAS tokens





*Adaptation of Blockchain Technology & Smart Contracts  
- Benefits for Advanced Family Care Medical Group (AFC)*

---

# Benefits from Adopting Blockchain Technology



Veritaseum will increase efficiency of the entire operation of Advanced Family Care Medical Group by putting certain business processes in the blockchain

## Patient Data Management



- **Storage of patient data will be decentralized using computer networks of the Clinic combined with distributed storage systems and public blockchains – to the extent allowable by applicable laws and regulations**

## Data Security



- **Digitalization of all data and (hence) increased security of information**
- **Maintain patient privacy by securing data and use of proprietary Veritaseum processes to maintain HIPAA compliance**

# Benefits from Adopting Blockchain Technology ... (contd.)



## Access to Patient Data



- **Distributed, secure and direct access to patient health data across the distributed ledger platform, unfettered by geopolitical borders**

## Patient Service Management



- **Monitor & respond to patient inquiries**
- **Manage patient complaints**
- **Enable patient self-service capabilities**
- **Manage patient grievances**



# Benefits from Adopting Blockchain Technology

## ...(contd.)



### Customer Centricity



- **Consolidated, yet distributed patient data – the best of both worlds (everything accessible in one place yet accessible from everywhere, censorable by no one)**
- **Real-time enrolment based on the clinical and administrative data**
- **Dynamic data tracking and monitoring**
- **Remove third party dependencies**

### Reducing Frauds in Payments



- **Doctors, patients and clinic will be part of the (where allowed by relevant laws and regulations) blockchain, thus reducing frauds**



*Overview of Advanced Family Care Medical Group*

---

# Advanced Family Care Medical Group

## - Overview



- Established in East LA, California, Advance Family Care Medical Group is a multi-specialty medical clinic started in 1995
- It is a leading medical clinic in the region providing services in the fields of Obstetrics/Gynecology, Pediatrics and Family medicine to lower income and disadvantaged constituencies
- The clinic is owned by the doctors and managed by AFC Management Inc.



Advanced Family Care Medical Group	
<b>Operational</b>	1995
<b>Services</b>	Obstetrics/Gynecology, Pediatrics and Family medicine services
<b>Monthly Patient Inwards</b>	450 patients
<b>Total Employees</b>	3 doctors and 2 nurse practitioner out of which 1.5 are full time employees
<b>Address</b>	1201 E Florence Ave, Los Angeles, California, USA

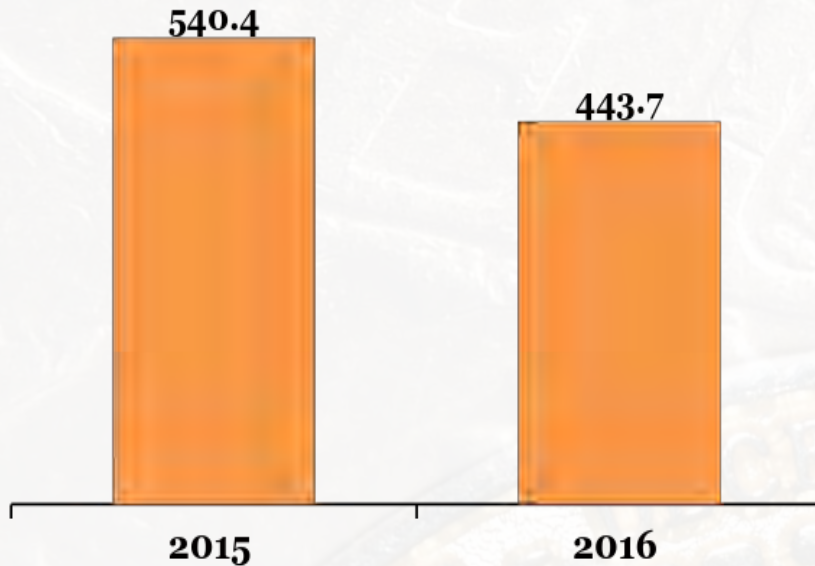


# Advanced Family Care Medical Group

## - Revenues



Revenues, 2015-2016 (US\$ '000)



- The Clinic recorded total revenues of US\$443,700 in 2016, a decline of around 18% y-o-y. The decline is due to the change in ownership of the Clinic
- Several doctors separated from the Clinic and started another clinic nearby. Some patients followed these doctors and moved out of AFC
- Due to this spin-off, an audit was performed which mandated the Clinic to reapply for certain licenses which took approximately a year to get reapproved. The delay and doctor departures resulted in partial closure of a few service offerings and a drop in patient inflow
- The aforementioned resulted in a decline in revenues generated by the Clinic
- However, as the prevailing issues are sorted now, AFC is expected to generate higher revenues in the coming years, primarily from “Veritization” of the business processes and an infusion of new doctors (talent) as well as the extant patients that invariably follow. AFCM will make available its Veritaseum-based platform to doctors enabling them to lower their costs and required labor, thereby increasing profits and quality of life for both doctor and patient



*About Veritaseum*

---

- Veritaseum was founded by Reggie Middleton to exploit modern cryptography in the fields of finance, economics and technology in order to facilitate friction free OTC value exchange
- It is a P2P capital markets platform, which removes brokerages, banks and traditional exchanges
- Veritaseum is a software and consultancy, and is not a financial concern. No actors on its platform are exposed to its balance sheet in any way. It therefore does not hold, control or have the ability to frustrate access to any **participants'** capital

The Core Team
REGGIE MIDDLETON <i>CEO, Founder</i>
PATRYK DWORZNIK <i>Lead Engineer</i>
MANISH KAPOOR <i>Lead Analyst</i>

Token Info	
<b>ICO</b>	25 <sup>th</sup> April 2017
<b>Total Supply</b>	100 million Veri
<b>Blockchain Platform</b>	Ethereum

# **Exhibit 26**





This Memorandum of Understanding is entered into on the 29<sup>th</sup> day of June, 2017 between Veritaseum, LLC a company incorporated under the laws of Delaware with office located at 1460 Broadway, New York, NY (hereafter referred to as “Veritaseum”) and the Jamaica Stock Exchange (“the Exchange”) a company incorporated under the laws of Jamaica with registered office located at 40 Harbour Street in the Parish of Kingston. The parties intend to enter into a joint venture arrangement, hereafter referred to as “the Venture”.

It is hereby understood and agreed as follows:

1. Duties of the Parties

a. On the part of Veritaseum:

Veritaseum will sell, lease, rent, or lend its Veritas tokens to the Jamaican Stock Exchange for the purposes of consulting on, advising on and building a digital asset exchange for the Joint Venture. The details of which are as follows:

i. A digital asset exchange for the Venture (“The Digital Asset Exchange”)

- a. The software and technology to be used by The Digital Asset Exchange will be funded and built by Veritaseum, LLC and its contractors and subcontractors. Upon signing of this MOU by parties on or before June 30, 2017, Veritaseum anticipates the Digital Asset Exchange to go live by, or near August 31st, 2017.
- b. Veritaseum will share 51% of the net revenues stemming from the operation of The Digital Asset Exchange with the Jamaica Stock Exchange after recouping its original cash and resources outlay in the building of The Digital Asset Exchange, estimated to be US\$325,000.
- c. Veritaseum will, at the behest of the Jamaica Stock Exchange, co-brand The Digital Asset Exchange with a combination of Jamaica Stock Exchange and Veritaseum brands.
- d. Veritaseum will advise on recommended registration fees for Digital Asset Exchange which will be designed to boost the revenues of the Jamaica Stock Exchange.

b. On the part of Jamaica Stock Exchange

The Jamaica Stock Exchange agrees to the following:

1. To use its best endeavours to utilize the Jamaica Stock Exchange brand, the infrastructure, existing and future regulatory relationships and relevant personnel of the Jamaica Stock Exchange to facilitate The Digital Access Exchange;
2. To use its best endeavours to include, if required, any rules required to facilitate The Digital Access Exchange; and
3. To operate the Digital Access Exchange to the extent permitted by the law.

c. The relevant parties agree to facilitate the actions outlined above.

2. Duration

This MOU shall continue in effect for a period of one (1) year from the date of signing of this MOU and may be extended upon request by either party in writing and by consent by the parties in writing.

3. Relationship of the Parties



Nothing in this MOU shall be construed as creating a partnership, joint venture, agency or similar relationship between the parties. No party has the right or authority to bind the other party, including without limitation the power to incur any liability or expense on behalf of the other party without its prior written agreement, except as expressly set forth in this MOU.

4. Indemnities, Warranties and Limitation of Liability

Each party warrants its capacity to enter into this MOU and to participate in the activities contemplated herein. No party shall be held responsible for any cost or expense incurred by the other party in keeping with the terms of agreement or any policies and procedures established between the parties for the purpose of giving effect to this MOU.

5. Good Faith

- a. The Parties undertake to act in good faith under this MOU and to adopt all reasonable measures to ensure the realization of the objectives of this MOU.
- b. All parties are free to make this document public for the purposes of communication with their respective constituencies, stakeholders and partners on the condition that Paragraph 1, Section A, subsection I, a – lines 3 and 4 are redacted.
- c. This document is non-binding, and does not represent an obligation to perform the actions listed above, but rather an agreement of the intent of the parties and an understanding of each party's respective role in any future binding contractual relationships.
- d. Subject to 6. of this MOU the information supplied and/or obtained by each party to this MOU shall be treated in a confidential manner.

6. Confidentiality

Paragraph 5, section b describes matter that is confidential in nature.

7. Amendment

Any changes, modifications, revisions or amendments to this MOU which are mutually agreed upon by and between the parties to this MOU shall be in writing and signed by authorized representatives of both parties.

IN WITNESS WHEREOF Veritaseum and the Exchange have duly executed this MOU on the day and year first hereinbefore written.

\_\_\_\_\_  
Reggie Middleton  
Founder  
Veritaseum

\_\_\_\_\_  
Ian McNaughton  
Chairman  
Jamaica Stock Exchange

\_\_\_\_\_  
Marlene Street Forrest  
Managing Director  
Jamaica Stock Exchange





# **Exhibit 27**








# **Exhibit 28**

 **ReggieMiddleton** @ReggieMiddleton · 3 Jul 2017

News of our trip to Jamaica starts to soak in. There are strategic aspects that we haven't made public yet. I'm waiting for actual traction

  
**Veritaseum**  
(VERI)

▼ 107.00  
**(23.16%)**  
0.04191200 BTC  
**(20.33%)**  
0.37999000 ETH  
**(22.84%)**

[Website](#)  
[Explorer](#)  
[Explorer](#)  
2  
[Announcement](#)  
★ Rank 29  
🏷️ Asset

Market Cap	Volume (24h)
\$204,653,732	\$642,781
82,453 BTC	258.97 BTC
747,552 ETH	2,348 ETH

Circulating Sup	Total Supply
1,967,295	100,000,000


6 42 105



**ReggieMiddleton** @ReggieMiddleton · 3 Jul 2017

\$VERI up 65% since a announcement of the Jamaican Stock Exchange deal. We're working hard to seal 2 more big international deals next month

# Veritaseum

(VERI)

**(64.28%)**  
0.05694720 BTC  
**(60.35%)**  
0.52777000 ETH  
**(70.64%)**

- Website
- Explorer
- Explorer
- 2
- Announcement
- ★ Rank 24
- Asset

Market Cap	Volume (24h)
\$285,655,124	\$1,537,100
112,032 BTC	602.84 BTC
1,038,279 ETH	5,587 ETH

Circulating Sup	Total Supply
-----------------	--------------

10 23 72

# **Exhibit 29**

**From:** Reggie Middleton <reggie@veritaseum.com>  
**Sent:** Monday, November 20, 2017 11:01 AM  
**To:** Marlene J. Street-Forrest <Marlene J. Street-Forrest <marlene.street-forrest@jamstockex.com>>  
**Subject:** See the whitepaper, attached.

---

I sent a version a little more than a week ago when you were out of town, but I didn't here back from you. Here's another copy in case you missed it. Please let me know that you received it. The modified contract should be to your office by tomorrow. After receipt of that, we should be ready to move forward, correct?

Cordially,  
Reggie Middleton  
Disruptor-in-Chief  
**Veritaseum**  
1460 Broadway  
New York, NY 10036  
212-257-0003  Office  
718-407-4751  Cellular

About Reggie Middleton:

Sizzle reel [https://www.youtube.com/watch?v=\\_sI0p8u1tsO](https://www.youtube.com/watch?v=_sI0p8u1tsO)

Wikipedia: [https://en.wikipedia.org/wiki/Reggie\\_Middleton](https://en.wikipedia.org/wiki/Reggie_Middleton)

LinkedIn: <https://www.linkedin.com/in/reggiemiddleton>

About Veritaseum - an interactive

presentation: [https://docs.google.com/presentation/d/1EMyNvogofqojqG6nkIjgvvjAnsWs1qOtKUEExvtp\\_m0/pub?start=false&loop=false&delayms=3000&slide=id.p](https://docs.google.com/presentation/d/1EMyNvogofqojqG6nkIjgvvjAnsWs1qOtKUEExvtp_m0/pub?start=false&loop=false&delayms=3000&slide=id.p)

Introducing the P2P economy (scroll down to see the content): <https://blog.veritaseum.com/index.php/34-projects/51-the-peer-to-peer-economy>

Pathogenic Finance Research Report (contains patent application research): <https://blog.veritaseum.com/index.php/download/research/send/4-research/313-pathogenic-finance>

Pathogenic Finance Video (synopsis of the above): [https://youtu.be/\\_vf8-HI78pM](https://youtu.be/_vf8-HI78pM)



# **Exhibit 30**

## JOINT VENTURE AGREEMENT

This Agreement (the "Agreement") is made and entered into this \_\_\_ day \_\_\_\_\_, 2017 between **VERITASEUM, LLC**, ("Veritaseum"), a Delaware corporation with registered office located at 16192 Coastal Highway, Lewes, Delaware 19958, United States of America and the **JAMAICA STOCK EXCHANGE** ("the JSE"), a company registered under the laws of Jamaica with registered address at 40 Harbour Street in the parish of Kingston, Jamaica.

The parties **Veritaseum** and **the JSE** being collectively referred to herein as the "Parties".

### *Recitals*

WHEREAS, Veritaseum, a distributed software consultancy, has the experience and expertise to develop and implement a Digital Asset Exchange and also wishes to fund and build the software and technology solutions to implement such a Digital Asset Exchange ("DAE") and provide advice on its utilization.

WHEREAS, the JSE, the principal stock exchange in Jamaica is desirous of utilizing a Digital Asset Exchange as a part of its infrastructure and ongoing operations.

WHEREAS, the Parties executed a Memorandum of Understanding dated June 29, 2017 (the "MOU") in which they agreed to facilitate the creation and launch of the Digital Asset Exchange.

WHEREAS, Veritaseum has created and issued software tokens called Veritas, and is desirous of selling, leasing, renting and lending its Veritas to the JSE and all users of the DAE.

WHEREAS, after discussions and negotiations the Parties have confirmed their desire to enter into this Agreement on the terms particularized below.

NOW, THEREFORE, the Parties agree as follows.

### ARTICLE 1 *Definitions*

All definitions used in the License shall be deemed incorporated herein by reference.

"**Affiliates**" of any Party means any entity that controls, is controlled by or is under common control with such Party. For purposes of this definition, "**control**" will mean the possession, directly or indirectly, of a majority of the voting power of such entity (whether through ownership of securities or partnership or other ownership interests, by contract or otherwise).

"**Digital Asset Exchange**" means the digital asset market of the Jamaica Stock Exchange which is facilitated by the Digital Asset Exchange Platform.

"**License**" means the exclusive license to be granted to the JSE by Veritaseum to operate the Service in the Territory.

"**Memorandum of Understanding**" shall mean the Memorandum of Understanding executed by the parties hereto on 29<sup>th</sup> June 2017

"**Service**" means the digital platform namely 'Digital Asset Exchange Platform' contemplated by the parties in the Memorandum of Understanding dated 29<sup>th</sup> June, 2017.

"**Source Code**" shall mean the human-readable form of machine executable programming instructions, and related system documentation, including comments, procedural language and material useful for understanding, implementing and maintaining such instructions (for example, logic manuals, flow charts and principles of operation).

"**Technology**" shall mean Veritaseum's block-chain based, peer-to-peer capital markets and centralized exchange software and mechanisms. These mechanisms include centralized solutions comprising of a centralized exchange software platform and centralized smart arbitrage. Said mechanisms also include distributed solutions which utilize Veritaseum's unique approach to research and analysis and its application through financial machines such as the VeADIR, the full description of which is expounded in Veritaseum's "Product and Services Description" annexed hereto. No aspects of the VeADIR, Veritaseum's distributed and/or decentralized products and services or smart contract-driven mechanisms are contemplated by this agreement and they are in no way, shape or form included in this agreement.

"Territory" shall mean Jamaica.

"Veritaseum License" shall mean the centralized, server-centric exchange software license and other software used together with necessary hardware, communications devices and computers not within the physical control of Veritaseum, and which deliver the digital platform for the Digital Asset Exchange.

"Veritaseum Rental Facility" means the proprietary Peer to Peer platform that allows third parties to conduct rental Veritas token transactions *and will be the exclusive means by which Veritas tokens will be rented to the JSE, the DAE and any users of the DAE.*

"Veritaseum's Product and Services Description" shall mean the document entitled 'Veritaseum - Veritas' Paper: Brief Description of Veritaseum Products and Services' which is annexed hereto.

## ARTICLE II

### *Purpose and Scope of Agreement*

#### 1. *Purpose.*

- a) The Parties jointly undertake to establish a Digital Asset Exchange where users and brokers can buy, sell and trade Veritas and other tokens or digital assets on the JSE's digital infrastructure.
- b) Veritaseum will fund and build the software and Technology to establish the Digital Asset Exchange. The revenue from all trades on the DAE will first be applied to the Parties' expenses and investment to be recouped, and thereafter shared 51% to the JSE and 49% to Veritaseum.
- c) The Parties will promote the Digital Asset Exchange and the JSE shall develop and/or cause to be developed any necessary rules that will make the operation of the Digital Asset Exchange as seamless as possible.
- d) Except as explicitly set forth in this Agreement, neither Veritaseum nor the JSE, nor their respective Affiliates shall have any obligation to conduct

business exclusively with the other Party, to offer other business opportunities to any other Party, or refrain from competition in any manner whatsoever regardless of whether the Parties are jointly engaged in (or may also engage in) a related activity at any time.

**2. *Responsibilities of the Parties to the Agreement.***

- (a) As soon as practicable, the Parties will cause to be established a committee comprised of individuals from both parties and/or their affiliates (“the Committee”) that will be responsible for the technical implementation of the Digital Asset Exchange. The Committee shall also be responsible for providing the JSE with the required information to operate the Digital Asset Exchange.
- (b) In furtherance of the implementation of the Digital Asset Exchange, Veritaseum and/or its contractors and subcontractors shall provide support and training to the employees and brokers of the JSE to equip them with skills necessary for effectively navigating the Digital Asset Exchange platform and operating the Digital Asset Exchange as required by the JSE.
- (c) This Committee will from time to time detail plans for implementing the Digital Asset Exchange Platform and after its establishment, the JSE will oversee its maintenance and daily operations.
- (d) The Parties will cooperate and work together to develop a business plan which shall include projections of revenue, expenses and net income on a quarterly basis, and the timing and geographical order of the development and marketing of the Digital Asset Exchange (“the Business Plan”). The Business Plan shall be finalized and in a form agreed by parties prior to execution of this Agreement.
- (e) The Parties agree to use their best efforts in good faith to agree on such operational plan to be included in the budget for the Digital Asset Exchange no later than sixty (60) days prior to the commencement of each calendar year

of the venture, taking into account, all relevant business factors relating to venture.

- (f) Veritaseum shall provide the JSE with the information necessary to assist with the development of the draft Business Plan which shall include a strategy for developing the Digital Asset Exchange in the Territory. Thereafter, designated representatives from the JSE and Veritaseum shall work together to prepare the final Business Plan for the approval of the Parties.
- (g) In furtherance of the implementation of the Digital Asset Exchange, the JSE shall provide the marketing, sales and managerial services as is necessary to implement the Digital Asset Exchange.
- (h) No Party shall have the right to represent any other Party in any negotiations with third parties nor enter into any agreement with a third party for the account of the other Parties or their joint account, without the prior written approval of the unrepresented Party. The Party engaging in such unauthorized conduct and/or causing liability therefrom shall be in breach of this Agreement and shall hold the other Party harmless for any claims raised by a third party.

**3. *No Partnership.***

- (a) Nothing in this Agreement shall be construed as creating between the Parties a partnership, fiduciary or other similar relationship or a joint venture except as expressly provided for herein. Nothing in this Agreement shall create or imply any exclusive relationship or any obligation to inform any other Party, offer to any other Party or to include any other Party in any opportunity which may be available to one of the Parties in the future except as provided in the License.

**4. *Assignment/Transfer of Rights & Obligations.***

- (a) Any Party may assign or transfer this Agreement and all of its rights and obligations hereunder to any Party acquiring all or substantially all of the



business of such Party whether by merger, sale of assets or otherwise, solely upon the written consent of the other Party.

- (b) Any assignment or transfer by a Party of its interest shall be effective only upon the execution and delivery by the assignee/transferee of an appropriate irrevocable and unconditional guarantee that it acknowledges that it is to be bound by the provisions of this Agreement.

**5. Accounting.**

- (a) The JSE shall keep all books of accounts and make all financial reports in accordance with the standards prescribed by the laws of Jamaica and relevant regulations and established accounting principles in Jamaica, which shall be open to inspection by Veritaseum. Such books of accounts shall be shared with Veritaseum.
- (b) The JSE shall prepare:
  - (i) preliminary financial statements, including without limitation a balance sheet and income statement, within fifteen (15) days after the end of each of the first three quarters of its calendar year, followed by unaudited finalized versions thereof within fifteen (15) days thereafter;
  - (ii) unaudited finalized financial statements, including without limitation a balance sheet and income statement, within thirty days after the end of the fourth quarter and its entire calendar year; and
  - (iii) such further reports as shall be required by the Parties or a Party.
- (c) Copies of all such reports shall immediately be forwarded to Veritaseum by the JSE.
- (d) The JSE shall provide any financial statement required by Veritaseum in keeping with IFRS standards.
- (e) Each Party shall have the right by its duly authorized representative or accountant to inspect and have full access to all properties, books of account, records relating to the Digital Asset Exchange. The JSE shall furnish to the requesting Party all information concerning the same which the requesting Party

may reasonably require in connection with a complete examination thereof, and the requesting Party shall have the right to inspect and make copies from the books and records at all reasonable times.

**ARTICLE III**  
*Licensing of Veritaseum Technology*

**6. *Veritaseum License***

- (a) In consideration of the JSE's performance of its obligations under this Agreement, Veritaseum shall extend to the JSE the rights to use the centralized exchange software that it has either built, and/or licensed and/or customized in so far as it is necessary to build the Digital Asset Exchange.
- (b) Promptly upon formation and organization of the Committee, Veritaseum shall or shall cause to be delivered a License or sub-license in accordance with this Agreement.

**7. *Initial Technology Development.***

- (a) Veritaseum shall have the primary responsibility for developing and maintaining localized versions of the Veritaseum centralized exchange software, the critical components and functionality of which are described in its *White Paper* which is annexed hereto at (Annex ).
- (b) All localization costs shall be borne by Veritaseum further to its agreement under the *Memorandum of Understanding* between the parties, to fund the establishment of the Digital Asset Exchange. Notwithstanding, Veritaseum shall be entitled to reimbursement of the costs which it incurs in connection with developing localized versions of the software as agreed by the Parties.
- (c) Any individual or entity granted access to Veritaseum's Source Code, or technology licensed to serve in that capacity, in furtherance of this Agreement shall enter into a confidential agreement to the reasonable satisfaction of the parties prior to the delivery of the Veritaseum Source Code. Veritaseum is not obligated to produce or grant access to its Source Code and shall only do so within its sole discretion.

- (d) Veritaseum shall provide, at the JSE's facilities, training of personnel and brokers without additional charge on no less than two (2) occasions, as soon as reasonably necessary to permit the operation of the venture as contemplated by this Agreement. In its discretion, Veritaseum may assign a technical support representative to provide ongoing training and technical assistance to the JSE's employees and brokers.
- (e) Upon executing this Agreement, the JSE shall grant to Veritaseum a licence to use the servers on its exchange and all relevant software within its control that are necessary to effect the objectives of this Agreement.

**8. *Ongoing Development of the Digital Asset Exchange.***

- (a) The Parties agree to make all reasonable efforts to assure the compatibility of the Service whenever reasonably feasible. Should the JSE propose any technical changes to the Service which affect the operation, functionality, performance, integrity, reliability, security or availability of the Service, it must obtain the written consent of Veritaseum prior to implementing such change, which consent shall not be unreasonably withheld.
- (b) Any changes made pursuant to this clause shall be based on specifications reasonably approved by Veritaseum and shall be subject to quality assurance testing by Veritaseum to its reasonable satisfaction prior to installation to determine conformity to specifications.
- (c) To the full extent permitted by law, Veritaseum shall retain full ownership and the full and exclusive exploitation rights of all changes in the Source Code and any new or modified product arising out of or related to the Technology. At the request of Veritaseum, any contractor, subcontractor, or developer engaged in this venture shall execute such documents of assignment as may be required to give effect to this clause.
- (d) Nothing in this Agreement shall be construed to mean that Veritaseum has relinquished its rights, copyright, intellectual property rights, or otherwise, to the Source Code and any proprietary software.

- (e) All proposed or completed changes and improvements to the Source Code shall constitute confidential information of Veritaseum and the JSE acknowledges that it shall owe duty to Veritaseum not to breach its confidence in this respect. Veritaseum's confidential information shall also be deemed Confidential Information under this Agreement and accordingly governed by the provisions concerning Confidentiality under *Article VI* hereof.
- (f) The JSE further acknowledges that Veritaseum shall have the right to make public announcements relating to current and future products and all development plans of Veritaseum save and except that prior written approval of the JSE shall be required for announcements relating to any products and/or services of the JSE.
- (g) The parties shall be entitled to have a designee at product development meetings.
- (h) The JSE shall advise Veritaseum of plans for all current and future products and services to be provided as part of its business, which relates to the Digital Asset Exchange, which information shall be provided on a quarterly basis.

**9. *Web Sites.***

- (a) Any Web Site of Veritaseum, and the JSE that is created in respect of the Digital Asset Exchange shall contain text primarily in the official language of the country which the Web Site is intended to serve.
- (b) Each Party shall may provide a Link on their respective Web Sites for the Service to each of the Web Sites maintained for the Service by the Parties. Where the JSE and any other third party which may be licensed by Veritaseum in past or future, shall advise any customer to use the local service in their respective countries, if available, this advice shall be included in every customer contract and sign-up form.

**10. *Territorial Limitation.***

- (a) The parties accept that the Territory in respect of this Agreement shall mean Jamaica. Both Parties agree to respect the inherent worldwide value of each others' IP and the ability to do business outside of this JV once such business is not a centralized DAE that will operate in Jamaica.

**11. Trademarks/ Intellectual Property.**

- (a) Veritaseum presently owns the trademark, trade name and service mark "Veritaseum", "VERI", "Ve", "Veritize" and "Veritas". Veritaseum will file with the appropriate governmental authorities all documents required to register the marks in the Territory (the "International Marks"). Veritaseum shall grant to the JSE, upon its request and in accordance with the terms of the Licence, the non-exclusive right, without royalty, to use the International Marks to market the Service in the Territory during the term of this Agreement.
- (b) Veritaseum hereby covenants to take all actions reasonably requested by the JSE to secure protection for the International Marks.
- (c) Veritaseum shall have control over the defence of any claim in respect of the International Marks, including appeals, negotiations and the right to effect a settlement or compromise thereof.
- (d) The Parties pursuant to the JV may adopt and register additional local trademarks or service marks, provided that any marks used in combination with the other parties marks shall be subject to the prior approval of both parties.
- (e) Any trademarks or service marks which refer to "Veritaseum" shall be the property of Veritaseum, subject to the Licence.
- (f) All trade names, trademarks, service marks, copyrights and other intellectual property rights of the JSE and/or its subsidiaries will remain its property exclusively and Veritaseum shall not assert any claim thereto during the Term of this Agreement, or thereafter. Veritaseum shall use such marks

strictly as set forth in this Agreement and only during the Term of this Agreement. Veritaseum shall not do any act or thing inconsistent with JSE's ownership of such assets and rights and shall take reasonable care to protect them from infringement or damage.

- (g) Veritaseum shall obtain all releases, licenses, permits or other authorization to use copyrighted materials, artwork, photographs or any other property or rights belonging to third parties for items that Veritaseum will use in performing services under this Agreement.

## **12. Patents.**

- (a) Veritaseum hereby covenants to take all actions to secure protection for the all its patented technology ("International Patents") within the Territory.
- (b) Veritaseum shall have control over the defence of any claim in respect of the International Patent, including appeals, negotiations and the right to effect a settlement or compromise thereof.
- (c) Any advancement, modification, extension of, or product developed from, the Technology, shall be exclusively owned by Veritaseum, subject to the Veritaseum License.
- (d) Should any licensed product become or, in Veritaseum's opinion, be likely to become, the subject of any patent infringement claim, Veritaseum shall, at its sole option, and for purposes of eliminating or mitigating any claim: (i) procure the right to continue using the licensed product; or (ii) replace or modify the Veritaseum License or the Service so that it becomes non-infringing.

## **13. Ownership Data/ Intellectual Property Developed in the Territory.**

- (a) Veritaseum shall retain ownership of all data content, documents, digital data files and other images, including, but not limited to, written text and source code developed while implementing the Digital Asset Exchange and providing the Service contemplated by this Agreement and shall be deemed Confidential Information and accordingly governed by the



provisions concerning Confidentiality in this Agreement under *Article VI* hereof.

- (b) Veritaseum shall be entitled to undertake the relevant procedures to protect its rights and proprietorship in respect its own data content, documents, digital data files and other images and source code developed during said implementation.
- (c) The JSE shall retain ownership of all its own data content, digital data files and other images and source code which it owned prior to developing and implementing the Digital Asset Exchange and shall be entitled to undertake the relevant procedures to protects its rights and proprietorship in respect of same.

**14. *Disclaimer of Warranty.***

- (a) Neither Veritaseum nor their employees or representatives shall be liable to the JSE or any other party for any damages whatsoever, losses or injuries, including foreseeable and unforeseeable damages resulting from the use or application of the Technology transferred under this Agreement, excluding damages for breach of or default in this Agreement or the License, gross negligence or fraud.

**15. *Quality Control.***

- (a) The JSE shall maintain quality control standards at least equal to those employed by Veritaseum LLC for efficient operation of the Digital Asset Exchange. Veritaseum shall have the right to visit the facilities of the JSE.

**ARTICLE IV**  
***Representations and Warranties***

**16. *Mutual Representations and Warranties.***

- (a) The JSE agrees not to itself provide unique services as contemplated under this Agreement within the Territory, using the Technology without the written consent of Veritaseum.
- (b) Each Party represents and warrants to each other Party that such Party has the full corporate right, power and authority to enter into this Agreement and to perform the acts required of it hereunder; and the execution of this Agreement by such Party, and the performance by such Party of its obligations and duties hereunder, do not and will not violate or contravene any applicable law or regulation or any agreement to which such Party is a party or by which it is otherwise bound, and when executed by such Party, this Agreement will constitute the legal, valid and binding obligation of such Party, enforceable against such Party in accordance with its terms.

**17. Representations and Warranties of Veritaseum.**

- (a) Veritaseum represents and warrants that:
  - (i) to its knowledge, Veritaseum is the sole and exclusive owner of the Technology and or licence to the technology, free and clear of any claims, liens, charges or encumbrances;
  - (ii) to its knowledge, Veritaseum presently owns the trade names, trademarks and service marks "Veritaseum", "VERI", "Veritize", "Ve" and "Veritas".
  - (iii) Veritaseum has neither licensed the Technology nor the use of the trade names, trademarks or service marks to any other person or entity in the Territory in a manner which may interfere with the use thereof by the JSE;

- (iv) to the best knowledge of Veritaseum, there are no restrictions, whether by contract, operation of law, or otherwise, on their ability to grant to the JSE exclusive right to use the Technology in the Territory; and

**18. Representations and Warranties of the JSE.**

- (a) The JSE hereby represents and warrants that:
  - (ii) The JSE has conducted its own due diligence review of Veritaseum to the extent it deems necessary and has not relied on the statements, advice or recommendations or any other person or entity in connection with the transactions contemplated hereby.
  - (iii) It has such knowledge and experience in finance, securities, investments and other business matters so as to be able to protect its interests in connection with this transaction, and its venture with Veritaseum is not material when compared to its total financial capacity.
  - (iv) It understands the various risks of its venture with Veritaseum as proposed herein and can afford to bear such risks.

**19. Limitation of Liability.**

EXCEPT AS PROVIDED IN THIS ARTICLE AND EXCEPT FOR A LIABILITY ARISING AS A RESULT OF A CLAIM FOR BREACH OF, OR A DEFAULT IN, THIS AGREEMENT OR THE LICENSE, UNDER NO CIRCUMSTANCES WILL ANY PARTY BE LIABLE TO ANY OTHER PARTY FOR INDIRECT, INCIDENTAL, CONSEQUENTIAL, SPECIAL OR EXEMPLARY DAMAGES (EVEN IF THAT PARTY HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES), ARISING FROM ANY PROVISION OF THIS AGREEMENT OR THE LICENSE, SUCH AS, BUT NOT LIMITED TO, LOSS OF REVENUE OR ANTICIPATED PROFITS OR LOST BUSINESS.

EXCEPT AS EXPRESSLY SET FORTH IN THIS ARTICLE IV, NO PARTY MAKES, AND EACH PARTY HEREBY SPECIFICALLY DISCLAIMS, ANY REPRESENTATIONS OR WARRANTIES, EXPRESS OR IMPLIED, REGARDING THE PRODUCTS AND SERVICES CONTEMPLATED BY THIS AGREEMENT, INCLUDING ANY IMPLIED WARRANTY OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE AND IMPLIED WARRANTIES ARISING FROM COURSE OF DEALING OR COURSE OF PERFORMANCE.

**ARTICLE V**  
*Term and Termination*

**20. Term.**

- (a) The term of this Agreement shall commence on the date of execution of this Agreement (the "Effective Date") and shall last for two (2) years with an option to renew unless earlier terminated in accordance with this agreement.
- (b) This Agreement shall terminate:
  - (i) Upon the expiry of the term;
  - (ii) After a material breach by any Party in accordance with the provisions of clause 21 below;
  - (iii) Upon ninety (90) days prior written notice by either Party after the failure of the other Party to satisfy the terms and conditions to maintain exclusivity of the License;
  - (iv) Any representations made by the parties in connection with this Agreement are or become false or misleading;
  - (v) Either party is charged for any fraudulent or criminal activity; or
  - (vi) Upon mutual agreement of the Parties.

**21. Termination.**

- (a) Any Party which is not in material breach of this Agreement shall have the right to terminate this Agreement upon the occurrence of the events set forth below:
- (i) The other Party is in material breach of any material term, condition or covenant of this Agreement and the breaching Party fails to cure such breach within thirty (30) calendar days after the receipt of written notice of such breach (unless such other Party commences the cure of such breach within such 30 day period, which cure can be reasonably expected to be completed after the expiration of such 30 day period and within a reasonable time, and is actually cured within a reasonable time); or
  - (ii) An event of bankruptcy occurs with respect to the other Party that is not curable under the applicable regulatory jurisdiction that the bankruptcy has been initiated.

**ARTICLE VI**  
***Confidentiality***

**22. *Confidentiality, Non-Disclosure.***

- (a) Each party covenants and agrees, on behalf of themselves, their Affiliates, parents, subsidiaries, directors, officers, employees, agents, successors and assigns, that they shall not, at any time during or after the termination of this Agreement, except when acting on behalf of and with the written authorization of the other Parties, make use of or disclose to any person, corporation, or other entity, for any purpose whatsoever, any trade secret or other Confidential Information and not to use any such Confidential Information for any purpose other than the purpose for which it was

originally disclosed to the receiving party. No Party shall disclose the others' Confidential Information to its employees and agents except on a "need-to-know" basis.

- (b) Confidential Information means any information of a Party disclosed to the other party in the course of this Agreement, which is identified as, or should be reasonably understood to be, confidential to the disclosing Party, including, but not limited to, trade secrets and confidential information disclosed to the Parties or known by them as a consequence of their transactions with each other pursuant to this Agreement and not generally known in the industry, concerning the business, finances, methods, operations know-how, trade secrets, data, technical processes and formulas, source code, product designs, sales, cost and other unpublished financial information, product and Business Plans, projections, marketing data, information, research and development, customers, pricing and information relating to the parties, this Agreement and all exhibits hereto.
- (c) Confidential Information will not include information which:
- (i) is known or becomes known to the recipient directly or indirectly from a third-party source who obtained the information lawfully and not as a result of a breach of this agreement;
  - (ii) is or becomes publicly available or otherwise ceases to be secret or confidential, except through a breach of this Agreement by the recipient; or
  - (iii) is or was independently developed by the recipient without use of or reference to the providing party's Confidential Information, as shown by evidence in the recipient's possession.
- (d) The Parties acknowledge and agree that each may disclose Confidential Information:
- (i) as required by law of the island or any applicable securities exchange or any governmental authority required by law;



- (ii) to their respective directors, officers, employees, attorneys, accountants and other advisors, who are under an obligation of confidentiality, on a "need-to-know" basis;
  - (iii) to investors or joint venture partners, who are under an obligation of confidentiality, on a "need-to-know" basis; or
  - (iv) in connection with disputes or litigation between the parties involving such Confidential Information and each Party will endeavour to limit disclosure to that purpose and to ensure maximum application of all appropriate judicial safeguards (such as placing documents under seal).
- (b) In the event a Party is required to disclose Confidential Information as required by law, such Party will, to the extent practicable, in advance of such disclosure, provide the disclosing Party with prompt notice of such requirement. Such Party also agrees, to the extent legally permissible, to provide the disclosing party, in advance of any such disclosure, with copies of any information or documents such party intends to disclose (and, if applicable, the text of the disclosure language itself) and to cooperate with the disclosing party to the extent the disclosing Party may seek to limit such disclosure.

### **23. General.**

- (a) This Article VI shall survive the termination of this Agreement.
- (b) The Parties acknowledge that damages alone may not be an adequate remedy for any breach by any Party of this Article VI, and accordingly, each expressly agrees that in addition to any other remedies which each may have, each shall be entitled to request injunctive relief in a court of competent jurisdiction.

## **ARTICLE VII** ***Non- Compete***

**24. Non-Compete.**

- (a) During the term of this Agreement and for a period of one year after any termination of this Agreement, except for a termination based on a default in or breach of this Agreement or the License by Veritaseum, the JSE agrees that it will not in the Territory, directly or indirectly enter into or become associated with or engage in any other business (whether as a partner, officer, director, shareholder, employee, consultant, or otherwise), which business is primarily involved in the manufacture, development, distribution, marketing and/or sales of technology intended to transfer value, information or knowledge via tokens through a distributed, decentralized or consensus network or blockchain-based or smart contract network by means similar to those described in Veritaseum's patent application, *White Paper* or its business models or processes.
- (b) During the term of this Agreement, Veritaseum agrees that it will not list and/or trade Veritas or other of its tokens or digital assets on any other digital platform or exchange within the Territory.
- (c) Nothing in this Agreement shall be construed to prevent Veritaseum from developing, distributing, marketing or selling its own products and Technology. Furthermore, no provision herein shall be construed to prevent Veritaseum from engaging in its usual business as per its existing business and services within the Territory so long as it does not violate the preceding provision herein.
- (d) After any termination of this Agreement, nothing in this Article shall be construed to prevent Veritaseum from developing, distributing, marketing or selling its own products and Technology in the Territory.
- (e) Similarly, after any termination of this Agreement, and the one year non-compete period, if applicable, the JSE shall have the ability to develop and market a service to compete with Veritaseum so long as such service was not developed in violation of terms hereof regarding Confidentiality and Non-Compete, or any of Veritaseum's patent, business model, services or other registered or common law rights.

**25. General.**

- (a) The Parties acknowledge and agree that the covenants contained in this Article are fair and reasonable and of a special unique character which gives them peculiar value and exist in order to protect the Parties and that the Parties would not have entered into this Agreement without such covenants being made to it.
- (b) If any court or Arbitration Panel shall hold that the duration or geographic scope of the non-competition clause, or any other restriction contained in this Article is unenforceable, it is our intention that same shall not thereby be terminated but shall be deemed amended to delete therefrom such provision or portion adjudicated to be invalid or unenforceable or in the alternative such judicially substituted term may be substituted therefor.
- (c) The Parties further acknowledge that damages alone will not be an adequate remedy for any breach by any Party of the covenants contained in this Article and accordingly, each expressly agrees that, in addition to any other remedies which each may have, each shall be entitled to injunctive relief in a court of competent jurisdiction.
- (d) The Parties acknowledge that the covenants contained in this Article are separate and distinct from, and shall not be merged with, any similar covenants made by either Party in any other agreement, document or understanding.
- (e) The provisions of this Article shall survive the termination of this Agreement.

**ARTICLE VIII**  
***Indemnification***

**26. Mutual Indemnity.**

- (a) Each Party represents and warrants to the other Party that such Party has the full corporate right, power and authority to enter into this Agreement and to perform the acts required of it hereunder; and the execution of this Agreement by such Party, and the performance by such Party of its obligations and duties hereunder, do not and will not violate or contravene any applicable law or

regulation or any agreement to which such Party is a party or by which it is otherwise bound, and when executed and delivered by such Party, this Agreement will constitute the legal, valid and binding obligation of such Party, enforceable against such Party in accordance with its terms. Each Party agrees to indemnify and hold harmless each other Party to this agreement for a breach of this Agreement that results in quantifiable loss or harm to the other Party.

## **ARTICLE IX** *General*

### **27. *Press Releases and Public Announcements.***

- a. Except as provided by herein, no Party shall issue any press release or make any public announcement relating to the subject matter of this Agreement without the prior written approval of the other Parties; provided, however, that any Party may make any public disclosure it believes in good faith is required by applicable law or any listing or trading agreement concerning its publicly-traded securities (in which case the disclosing Party will use its reasonable best efforts to advise the other Party prior to making the disclosure).

### **28. *Entire Agreement.***

- (a) This Agreement (including the documents referred to herein) constitutes the entire agreement among the Parties and supersedes any prior understandings, agreements, or representations by or among the Parties, written or oral, to the extent they related in any way to the subject matter hereof, including but not limited to, the Memorandum of Understanding (MOU).

### **29. *Succession and Assignment.***

- (a) This Agreement shall be binding upon and inure to the benefit of the Parties named herein and their respective successors and permitted assigns. No Party may assign either this Agreement or any of its rights, interests, or obligations hereunder without the prior written approval of the other parties.

### **30. *Counterparts.***

- (a) This Agreement may be executed in one or more counterparts, each of which shall be deemed an original but all of which together will constitute one and the same instrument.

**31. Headings.**

- (a) The section headings contained in this Agreement are inserted for convenience only and shall not affect in any way the meaning or interpretation of this Agreement.

**32. Notices.**

- (a) Except as otherwise provided herein, all notices, requests, demands, claims, and or other communications to be given hereunder will be in writing and will be (as elected by the party giving such notice):
- (i) personally delivered;
  - (ii) transmitted registered post or certified airmail, return receipt requested;
  - (iii) transmitted by electronic mail
  - (iv) transmitted by facsimile, or
  - (v) deposited prepaid with a nationally recognized overnight courier service.
- (b) Unless otherwise provided herein, all notices will be deemed to have been duly given on: (i) the date of receipt (or if delivery is refused, the date of such refusal) (ii) if delivered personally, by electronic mail, facsimile or by courier; or (iii) three (3) days after the date of posting if transmitted by certified mail.
- (c) Notice hereunder will be directed to a party at the address for such party as set forth below. Either party may change its address for notice purposes hereof on written notice to the other party pursuant to this Section 14 (f).

*If to Veritaseum:*

*Attention: Reggie Middleton  
Veritaseum, LLC.  
1460 Broadway  
New York, New York  
Email: \_\_\_\_\_*

*If to Jamaica Stock Exchange:*

*Attention: Marlene Street Forrest*

*Jamaica Stock Exchange*  
*40 Harbour Street*  
*Kingston*  
*Jamaica*  
Email \_\_\_\_\_

**33. *Governing Law.***

This Agreement has been executed in Kingston, Jamaica and its validity, interpretation, performance, and enforcement will be governed by the laws of Jamaica.

**34. *Resolution of Disputes.***

a. Mutual Differences

If any dispute or difference of any kind whatsoever (a “Dispute”) shall arise between the Parties in connection with, or arising out of, this Agreement, the Parties agree to use good faith efforts to resolve all such Disputes within thirty (30) Days on a fair and equitable basis. The Parties agree that the Operating Committee shall develop and follow a process for settling Disputes on a fair and equitable basis within thirty (30) Days.

The process shall include procedures for 1. the submission of a claim in writing, with supporting documentation, if any, and a specification of the amounts due or other remedies which if done by the other Party would resolve the claim 2. submission of a response to the claim along with any written explanation or supporting documentation 3. a Party shall respond to a claim within seven (7) Business Days after receipt of a claim, and within two (2) Business Days after delivery of a response, the Committee shall convene a meeting of the Parties’ representatives with knowledge and authority to resolve the Dispute. If the Parties are unable to resolve the Dispute within thirty (30) Days after the meeting, either Party may require that the Dispute be referred, as appropriate, a. to an expert pursuant to this Clause or b. to an arbitration panel pursuant to this Clause.

b. Referral to an Expert

- i. If the Dispute is not settled within the thirty (30) Day period as provided above and by agreement between the Parties it is deemed that a referral to an expert is necessary, then either Party may refer the Dispute to an expert for determination.



- ii. Either Party may give notice to the other Party of its intention (“Notice of Intention to Refer”) to refer the Dispute to an expert, which shall include, among other things, 1. a description of the Dispute, 2. the grounds on which such referring Party relies in seeking to have the Dispute determined in its favour, and 3. all written material which such referring Party proposes to submit to the expert; provided that this Clause shall not be construed so as to prevent such referring Party from using or producing further written material which comes into existence or comes to such referring Party’s attention after the Notice of Intention to Refer is given, but in such event the other Party shall be allowed a reasonable time to respond thereto.
- iii. The other Party shall within seven (7) Days after service of the Notice of Intention to Refer, give to the referring Party a notice of a. its unwillingness to have such Dispute referred to an expert or b. its intention to defend (“Notice of Intention to Defend”), which shall include, among other things, a. the grounds upon which such responding Party relies in seeking to have the Dispute determined in its favour and b. all written material that such responding Party proposes to submit to the expert; provided that this Clause shall not be construed so as to prevent such responding Party from using or producing further written material which comes into existence or comes to such responding Party’s attention after the Notice of Intention to Defend is given, but in such event the referring Party shall be allowed a reasonable time to respond thereto.
- iv. Within fourteen (14) Days after service of a Notice of Intention to Defend, the Parties shall agree on an expert and on the terms under which the Dispute shall be referred. In the event that the Parties are unable within fourteen (14) Days after service of a Notice of Intention to Defend to agree on the expert to be appointed or the terms of such expert’s reference or both, then either or both Parties may request the Chair of the Executive Committee of the Caribbean branch of the Chartered Institute of Arbitrators to appoint an expert, and the terms of reference of such expert’s appointment shall be those set out in the Notice of Intention to Refer and the Notice of Intention to Defend.
- v. Within seven (7) Days of the appointment of the expert, the expert shall nominate a time and place in Kingston, Jamaica for a hearing of the Parties on the Dispute, which time shall not be more than twenty-one (21) Days after the expert’s appointment. At the time nominated for the hearing, each Party must appear before the expert and present its case. The expert must render his decision on the Dispute within thirty (30) Days and

no later than sixty (60) Days after completion of the hearing depending on the complexity of the Dispute and must forthwith advise the Parties in writing of his determination and his reasons therefor.

- vi. Any evidence given or statements made in the course of the hearing may not be used against a Party in any other proceedings. The proceedings shall not be regarded as arbitration and the laws relating to commercial arbitrations shall not apply; provided, that the expert shall resolve the Dispute in accordance with the Laws of Jamaica. The decision of the expert shall be final and binding upon both Parties upon the delivery to them of the expert's written determination, save in the event of fraud, misrepresentation of fact, serious mistake or miscarriage.
- vii. If the expert does not render a decision within a period of ninety (90) Days after his appointment or such longer or shorter period as the Parties may agree in writing or the expert has indicated that he is not able to complete the assignment, either Party may upon giving notice to the other, terminate such appointment, and the Parties may agree to appoint a new expert who shall resolve the Dispute in accordance with the provisions of this Clause. If the Dispute is not resolved by one or more experts within six (6) Months after the receipt by the responding Party of the Notice of Intention to Refer, then either party may refer the Dispute for arbitration in accordance with this Agreement.

c. Arbitration

- i. If the Dispute: 1. cannot be settled within the thirty (30) Day period provided above, and a referral to an expert, as provided for in this Agreement, is a. not approved by both Parties or otherwise not deemed to be required or b. the right to refer the Dispute to arbitration pursuant has arisen the Dispute may be settled by arbitration (regardless of the nature of the Dispute) by either Party.
- ii. The arbitration shall be conducted in accordance with the Laws of Jamaica including, *inter-alia*, the Arbitration Act of Jamaica and the Parties hereby consent to arbitration thereunder; provided, however, that Verisateum may require that arbitration take place in London, England under ICC rules.
- iii. Either Party wishing to institute an arbitration proceeding under this Clause shall address a written notice to that effect to the other Party. Such notice shall contain a statement setting forth the nature of the Dispute to be submitted for arbitration and the nature of the relief sought by the Party

instituting the arbitration proceedings. The date of receipt of such notice shall determine the date of institution of arbitration proceedings under this Clause.

- iv. All arbitration proceedings shall take place in Kingston, Jamaica or in London, England and will be conducted in the English language.
- v. The arbitration panel will consist of three arbitrators (“Arbitration Tribunal”). Each Party shall appoint one arbitrator and the two so appointed shall appoint the third, who shall be the chairman of the Arbitration Tribunal. The Arbitration Tribunal shall comprise persons of recognized standing in jurisprudence or in the discipline related to the Dispute to be arbitrated. In the event that any Party fails to appoint an arbitrator or the arbitrators appointed by the Parties fail to agree on the third arbitrator, the appointment shall be made by the ICC pursuant to ICC rules upon referral of the issue by either Party or the two appointed arbitrators. No arbitrator appointed pursuant to this Clause shall be an employee or agent or former employee or agent of any Party or any of its affiliates or a person with an interest in either Party.
- vi. Each Party to the Dispute shall bear its own expenses in the arbitral proceedings subject to any award the Arbitration Tribunal may make in that regard. The cost of the arbitral proceedings and the procedure for payment of such costs shall be determined by the Arbitration Tribunal.
- vii. The Arbitration Tribunal shall determine the fees and expenses of its members. The Arbitration Tribunal shall decide how and by whom the fees and expenses of its members and the cost of the arbitral proceedings shall be paid and such decision shall form part of the award. In case any arbitrator appointed in accordance with this Clause shall fail to accept his appointment, resign, die, otherwise fail or be unable to act a successor arbitrator shall be appointed in the same manner prescribed for the appointment of the arbitrator whom he succeeds, and such successor shall have all powers and duties of his predecessor.
- viii. The award of the Arbitration Tribunal shall be final and binding on the parties thereto, including any joined or intervening party.
- ix. Any person named in a notice of arbitration or counterclaim or cross-claim hereunder may join any other Party to any arbitral proceedings hereunder; provided, however, that a. such joinder is based upon a dispute, controversy or claim substantially related to the Dispute in the relevant

notice of arbitration or counterclaim or cross-claim, and b. such joinder is made by written notice to the Arbitration Tribunal and to the Parties within thirty (30) Days from the receipt by such respondent of the relevant notice of arbitration or the counterclaim or cross-claim or such longer time as may be determined by the Arbitration Tribunal.

- x. Any person may intervene in any arbitral proceedings hereunder; provided, however, that a. such intervention is based upon a dispute substantially related to the Dispute in the notice of arbitration or counterclaim or cross-claim and b. such intervention is made by written notice to the Arbitration Tribunal and to the Parties within thirty (30) Days after the receipt by such person of the relevant notice of arbitration or counterclaim or cross-claim or such longer time as may be determined by the Arbitration Tribunal.
- xi. Any joined or intervening party may make a counterclaim or cross-claim against any party; provided, however, that a. such counterclaim or cross-claim is based upon a dispute, controversy or claim substantially related to the Dispute in the relevant notice of arbitration or counterclaim or cross-claim and b. such counterclaim or cross-claim is made by written notice to the Arbitration Tribunal and to the Parties within either thirty (30) Days from the receipt by such party of the relevant notice of arbitration or counterclaim or such longer time as may be determined by the Arbitration Tribunal.
- xii. The Company under this Agreement, unconditionally and irrevocably agrees that the execution, delivery and performance by it of this Agreement to which it is a party constitute private and commercial acts rather than public or governmental acts.

d. Continued Performance

During the pendency of any Dispute being handled in accordance with this Clause, 1. the Company shall continue to perform its obligations under this Agreement to ensure the continued operation of the DAE and any necessary act or so long as a payment default with respect to amounts that are not in dispute due to either Party has not occurred and is continuing 2. each Party shall continue to perform its obligations under this Agreement to pay all amounts due in accordance with this Agreement that are not in dispute, and 3. neither Party shall exercise any other remedies hereunder arising by virtue of the matters in a Dispute.

**35. Amendments.**

(a) This Agreement may be amended by the parties hereto by an instrument in writing signed on behalf of each of the parties hereto.

**36. Severability.**

(a) Any term or provision of this Agreement that is invalid or unenforceable in any situation in any jurisdiction shall not affect the validity or enforceability of the remaining terms and provisions hereof or the validity or enforceability of the offending term or provision in any other situation or in any other jurisdiction.

**37. Expenses.**

(a) Each of the Parties will bear its own costs and expenses (including legal fees and expenses) incurred in connection with this Agreement and the transactions contemplated hereby.

**38. Construction.**

(a) The Parties have participated jointly in the negotiation and drafting of this Agreement. In the event an ambiguity or question of intent or interpretation arises, this Agreement shall be construed as if drafted jointly by the Parties and no presumption or burden of proof shall arise favouring or disfavouring any Party by virtue of the authorship of any of the provisions of this Agreement.

IN WITNESS WHEREOF, the Parties hereto have executed this Agreement on the date first above written.

SIGNED FOR AND ON BEHALF OF  
VERITASEUM LLC  
BY:

Reggie Middleton, *Founder & CEO*

in the presence of:

}  
}  
}  
}  
} \_\_\_\_\_  
}  
}  
}

\_\_\_\_\_  
**NOTARY PUBLIC :**

SIGNED FOR AND ON BEHALF OF }  
JAMAICA STOCK EXCHANGE LIMITED }

BY: }

Ian McNaughton, *Chairman* }

Marlene Street Forrest, *Managing Director* }

in the presence of: }

---

***JUSTICE OF THE PEACE***

*For the parish of :*



# **Exhibit 31**

\$194.57 - Kraken - Trade
+

kraken.com/u/trade
🔍 ⚙️ 🌐 🏠

Overview Prices Support
ETH: 900.50062 USD: \$10,471.30

ETH/USD
Last: \$194.57 High: \$198.00 Low: \$183.37 24 Hour Volume: 24,432.70

Trade Funding Security Settings History Get Verified
Current time: Last Updated: +0000

Overview
New Order Orders Positions Trades
0.08 / 0.18% Current Fee \$639,097.77 / \$1,000,000.00

### Balances

## \$185,762.75

Asset	Amount	Price	24H Chg	Value
🔗 Ether (ETH)	900.500620	\$194.66	▲ 5.15%	\$175,291.45 ...
🇺🇸 US Dollar (USD)	10,471.300000	—	—	\$10,471.30 ...

View More

### Trade Balances

Trade Balance	\$185,753.77
Total margin currency balance.	
Equity	\$185,753.77

### Position Valuation

Opening Cost	\$0.0000
Original cost of all open positions.	
Current Valuation	\$0.0000

Veritaseum LLC

Last Login: 08-17-19 19:30  
+0000

Settings

Security

History

Get Verified

Sign Out

tools.

**OTC Desk**  
Private & secure 24/7 white glove trading experience.



Overview Prices Support

ETH: €900.50062 USD: \$10,471.30

ETH/USD

Last \$194.65 High \$198.00 Low \$183.37 24 Hour Volume 24,641.20

Trade Funding Security Settings History Get Verified

Ledger Orders Trades Export

Ledger

Ledger ID	Date	Type	Currency	Amount	Balance	Balance
LBNTWM	08-01-19 10:02:03 +0000	Trade	Ether (ETH)	-€0.04606	€0.00000	
LVKKA6	07-31-19 16:26:36 +0000	Deposit	Ether (ETH)	€320.38695	€0.00000	
LY6V05	07-31-19 16:15:12 +0000	Trade	US Dollar (USD)	\$69,538.56	\$125.16	
L0D4RI	07-31-19 16:15:12 +0000	Trade	Ether (ETH)	-€320.38728	€0.00000	€1,380.11965
LDGAID	07-31-19 15:45:39 +0000	Deposit	Ether (ETH)	€330.51778	€0.00000	€1,700.50694
L7PB20	07-31-19 15:42:00 +0000	Trade	US Dollar (USD)	\$71,748.69	\$143.49	\$426,792.98
LLJIMR	07-31-19 15:42:00 +0000	Trade	Ether (ETH)	-€330.51831	€0.00000	€1,369.98916
LY200J	07-31-19 12:23:04 +0000	Trade	US Dollar (USD)	\$28,963.35	\$28.96	\$355,187.79
LQJ555	07-31-19 12:23:04 +0000	Trade	Ether (ETH)	-€134.08960	€0.00000	€1,700.50748
L50SWG	07-31-19 12:23:03 +0000	Trade	US Dollar (USD)	\$4.65	\$0.00	\$326,253.40
LRKB4Y	07-31-19 12:23:03 +0000	Trade	Ether (ETH)	-€0.02155	€0.00000	€1,834.59709

Veritaseum LLC  
 Last login: 08-17-19 18:23 +0000  
 Settings  
 Security  
 History  
 Get Verified  
 Sign Out

### Closed Orders

Order	Order Type	Pair	Price	Volume Exec'd	Cost	Status
02QIGQ	sell/market	ETH/USD	\$0.00	0.22896123	\$50.84	Closed
0NM6P5	sell/market	ETH/USD	\$0.00	100.00000000	\$21,766.29	Closed
02JL2Z	sell/market	ETH/USD	\$0.00	3.09898020	\$673.76	Closed
065RVM	sell/market	ETH/USD	\$0.00	0.91363078	\$198.70	Closed
0NEXVQ	sell/limit	ETH/USD	\$250.00	0.00000000	\$0.00	Canceled
0GZLSW	sell/limit	ETH/USD	\$221.00	200.00000000	\$44,200.00	Closed
0QX3YD	sell/market	ETH/USD	\$0.00	0.04606061	\$9.80	Closed
0222EP	sell/market	ETH/USD	\$0.00	320.38728989	\$69,538.56	Closed
0KAB3A	sell/market	ETH/USD	\$0.00	330.51831636	\$71,748.69	Closed
0BB5IE	sell/limit	ETH/USD	\$216.00	200.00000000	\$43,200.00	Closed

ETH/USD Last \$194.66 High \$198.00 Low \$183.37 24 Hour Volume 24,655.46

Trade Funding Security Settings History Get Verified

Overview New Order **Orders** Positions Trades 0.08/0.18% Current Fee \$535,097.77 / \$1,000,000.00

Veritaseum LLC  
 Last login: 08-17-19 18:34:53 +0000  
 Settings  
 Security  
 History  
 Get Verified  
 Sign Out

New & Open Orders

Order	Order Type	Pair	Price	Volume Rem.	Cost Rem.	Status	Open
0FHML4	sell/limit	ETH/USD	\$250.00	100.00000000	\$25,000.00	Untouched	08-17-19 18:34:53 +0000
06TYHB	sell/limit	ETH/USD	\$237.00	100.00000000	\$23,700.00	Untouched	08-17-19 18:34:53 +0000
00Q6NN	sell/limit	ETH/USD	\$231.00	100.00000000	\$23,100.00	Untouched	08-17-19 18:34:53 +0000
0E46RJ	sell/limit	ETH/USD	\$245.00	200.00000000	\$49,000.00	Untouched	07-30-19 18:32:29 +0000

1 - 4 of 4 orders

Closed Orders

Order	Order Type	Pair	Price	Volume Exec'd	Cost	Status	Closed
02QIGQ	sell/market	ETH/USD	\$0.00	0.22896123	\$50.84	Closed	08-03-19 03:46:11 +0000
0NWP5	sell/market	ETH/USD	\$0.00	100.00000000	\$21,766.29	Closed	08-03-19 00:01:39 +0000
02JL2Z	sell/market	ETH/USD	\$0.00	3.09898020	\$673.76	Closed	08-02-19 18:56:39 +0000
065RVM	sell/market	ETH/USD	\$0.00	0.91363078	\$198.70	Closed	08-02-19 18:56:04 +0000
0NEKXQ	sell/limit	ETH/USD	\$250.00	0.00000000	\$0.00	Cancelled	08-02-19 14:51:31 +0000
0GZLSW	sell/limit	ETH/USD	\$221.00	200.00000000	\$44,200.00	Closed	08-02-19 07:01:59 +0000

# **Exhibit 32**



## COVINGTON

BEIJING BRUSSELS DUBAI FRANKFURT JOHANNESBURG  
LONDON LOS ANGELES NEW YORK SAN FRANCISCO  
SEOUL SHANGHAI SILICON VALLEY WASHINGTON

David L. Kornblau  
Covington & Burling LLP  
The New York Times Building  
620 Eighth Avenue  
New York, NY 10018-1405  
T +1 212 841 1084  
dkornblau@cov.com

**By Federal Express**

July 16, 2018

Jorge G. Tenreiro  
Senior Counsel  
U.S. Securities and Exchange Commission  
New York Regional Office  
200 Vesey Street, Suite 400  
New York, NY 10281

### **In the Matter of Veritaseum, Inc. (NY-9755)**

Dear Jorge:

On behalf of Reginald Middleton, Veritaseum, LLC, and Veritaseum, Inc., we are sending to you and to ENF-CPU encrypted discs containing documents in partial response to the staff's requests for information submitted via emails dated June 8 and June 11, 2018. We will send you the password for the files by email. As we have discussed, Mr. Middleton is continuing to search for documents and information responsive to those requests as well as to the subpoena dated June 11, 2018, which we will produce on a rolling basis.

For your convenience, we have repeated below the requests to which we are responding today, followed by our response.

***June 8, 2018, Request for Information 4a.*** *A list of all individuals that have purchased the research reports and the amounts for which they were purchased.*

Please see Appendix A.

***June 8, 2018, Request for Information 4b.*** *A list of all investors in Veritaseum Inc., the dates and amounts of the investment, and the status of the investment. If their investment was governed by a particular document or agreement, please direct us to it in the production or produce it.*

The enclosed disk contains copies of subscription agreements for investors in Veritaseum, Inc. [VERI0001000-160816 - 160876.]

***June 8, 2018, Request for Information 4g.*** *Can you please update us with the existence of bank accounts and wallets—we knew about Coinbase, Citi, and JP Morgan, but now heard about Gemini, BofA, Kraken, and perhaps others.*

**Confidential Treatment Requested**

**COVINGTON**

Jorge G. Tenreiro  
July 16, 2018  
Page 2

Mr. Middleton has identified the following accounts and wallets responsive to the above request: Charles Schwab "One" Account Number 6219-7075; Bank of America Checking Account Number 483074843917; Bank of America Savings Account Number 483074843904; Bank of America Business Account Number 483068721142; and Kraken Account Number AA98 N84G A2DO 5A7Q. Mr. Middleton confirms that he previously opened an account with the Gemini Trust Company, but he is unable to access this account, cannot ascertain the account number, and believes that the account presently contains no assets.

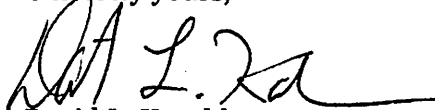
**June 11, 2018, Request for Information.** *I noticed that VERI000051 indicates that someone wrongly used Mr. Middleton's Facebook account to request Bitcoin. Were those messages produced to us?*

The enclosed disk contains copies of responsive messages, some of which were previously produced to the staff. [VERI0001000-152758; VERI0001000-152760 - 152764; VERI0001000-160877 - 160935.]

We may have inadvertently produced documents protected by privilege or the attorney work-product protection. Any such inadvertent production should not be considered a waiver of privilege or attorney work-product protection. If you identify any documents that appear to be covered by privilege or the attorney work-product protection, we request that you inform us immediately and we reserve the right to seek the return of such documents to us.

*This letter and the documents on the production CD have been marked "CONFIDENTIAL TREATMENT REQUESTED." It is our position that these materials are privileged and confidential records and/or contain private and confidential information. Accordingly, we respectfully request that they be kept confidential and that they neither be disclosed to any third party nor be made part of the public record. Should you receive a request to review this letter or the documents produced, please notify us prior to any disclosure to any person other than a member of the SEC's staff, so that we may address such potential disclosure, and if necessary, pursue alternative remedies.*

Sincerely yours,



David L. Kornblau

Enclosure

cc: ENF-CPU  
(by Federal Express; w/CD)

Mr. Barry Walters  
SEC FOIA Officer  
(by first class mail; w/o CD)

**Confidential Treatment Requested**

**COVINGTON**

Jorge G. Tenreiro  
 July 16, 2018  
 Page 3

**Appendix A - Purchasers of Veritaseum Research Reports**

<b>Date</b>	<b>Purchaser Email</b>	<b>Report Purchased</b>	<b>Price Paid (VERI)</b>
June 12, 2017	melvin.petties@gmail.com	Augur Report	4.5
June 13, 2017	polto@alsenet.com	Augur Report	4.5
June 16, 2017	chipfernandez@yahoo.com	Augur Report	4.5
June 22, 2017	bix@roadtoroota.com	Ripple Report	4.5
June 25, 2017	wbmerrick@gmail.com	Ripple Report	4.5
July 20, 2017	juized@gmail.com	Gnosis Report	1
February 24, 2018	paul@oscarcooper.com.au	Oct Populous Report	1.463
March 28, 2018	maboutwell@gmail.com	Populous Report	3.7092
March 29, 2018	samnang.samreth@gmail.com	Populous Report	3.7092
March 29, 2018	harmwestland@gmail.com	Populous Report	3.7092
April 1, 2018	raul@keepitposted.com	Populous Report	3.7721
April 2, 2018	wesleyevans007@hotmail.com	Populous Report	3.9895
April 3, 2018	rodrigoomahony@gmail.com	Populous Report	4.0394
April 3, 2018	j_w_moss@hotmail.com	Populous Report	4.0394
April 6, 2018	lepeteme@vivaldi.net	Populous Report	5.3317

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**COVINGTON**

Jorge G. Tenreiro  
July 16, 2018  
Page 4

May 8, 2018	harmwestland@gmail.com	Paypie Report	5.051
May 8, 2018	michael@gforceinvesting.com	Paypie Report	5.051
May 8, 2018	cryptoadvisors@protonmail.com	Paypie Report	5.051
May 10, 2018	j_w_moss@hotmail.com	Paypie Report	4.951
May 31, 2018	vladaspappa@gmail.com	Paypie Report	6.27
May 31, 2018	tmharrington3@gmail.com	Promo Token	0.4314
June 2, 2018	sburris1978@gmail.com	Promo Token	0.461
June 5, 2018	dtjohnson053@gmail.com	Populous & Paypie Reports	12.273
June 19, 2018	tmharrington3@gmail.com	Promo Token	0.5857

**Confidential Treatment Requested**

UNITED STATES DISTRICT COURT  
EASTERN DISTRICT OF NEW YORK

SECURITIES AND EXCHANGE  
COMMISSION,

Plaintiff,

-v.-

REGINALD ("REGGIE") MIDDLETON,  
VERITASEUM, INC., and VERITASEUM,  
LLC,

Defendants.

Case No. 19-cv-04625 (WFK)

DECLARATION OF DARREN YOUNG

I, Darren Young, a resident of Melbourne, Australia, pursuant to 28 U.S.C. § 1746, declare as follows:

1. I first learned of Veritaseum in 2017 from my brother, Shaun Young. After learning about the company, I conducted research into Reggie Middleton's background by reading his past writings, viewing past television appearances, and watching videos he posted to his YouTube channel after Veritaseum launched.

2. I have made roughly 40-50 separate purchases of VERI, totaling roughly 720 tokens. My first purchase of VERI was in June or July 2017, and my most recent purchase of VERI was in August 2019. I purchased VERI on the ForkDelta exchange.

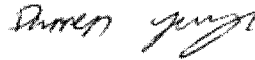
3. At no point did Middleton or anyone at Veritaseum describe VERI as a security or investment. In statements I read or viewed by Middleton, he never once said that VERI was a security or investment.

4. I do not consider VERI to be an investment or a security. I bought VERI because I wanted to use the VeADIR platform when it launched to the public, and the fee to use VeADIR is paid in VERI. I believe that the VeADIR platform will be of great value to those holding VERI tokens.

I declare under penalty of perjury under the laws of the United States of America that the foregoing is true and correct.

Executed on August 19, 2019 in Melbourne, Australia.

Darren Young

A handwritten signature in black ink, appearing to read "Darren Young", written in a cursive style.



**UNITED STATES DISTRICT COURT  
EASTERN DISTRICT OF NEW YORK**

SECURITIES AND EXCHANGE  
COMMISSION,

Plaintiff,

-v.-

REGINALD ("REGGIE") MIDDLETON,  
VERITASEUM, INC., and VERITASEUM, LLC,

Defendants.

Case No. 19-cv-04625 (WFK)  
ECF Case

**DECLARATION OF RAYMOND YOUNG**

I, Raymond Young, a resident of Melbourne, Australia, pursuant to 28 U.S.C.

§ 1746, declare as follows:

1. I first learned of Veritaseum in June 2017 through reading about it in writings by "clif high." I recognized Reggie Middleton because I had seen him on the television show Keiser Report. After first hearing about Veritaseum, I learned more by watching videos on Middleton's YouTube channel.

2. I exchanged emails with several people who worked for Veritaseum, including Masiah Middleton, and Eleanor Reid. The emails were related to a beta test of VeGOLD.

3. I made my first purchase of VERI on June 21, 2017. I continued to buy VERI periodically through October 2018, totaling dozens of purchases of VERI. I also made

NY 199051.2

several purchases on behalf of friends and family throughout 2018, totaling 229 tokens. I own a total of 2,236 tokens. Those transactions were through the ForkDelta exchange.

4. I also am part of a fund with three of my brothers that purchases VERI tokens. We have a total of 1,197 in our joint account.

5. I sold about 100 VERI tokens in December, the proceeds of which I used to buy Christmas gifts. I made those sales on a different crypto exchange called Mercatox.

6. I bought VERI Tokens because I thought that it was going to change the way finance is done. Peer-to-peer ("P2P") transactions are more cost-efficient for everyday people buying and selling crypto assets than current crypto exchanges, which charge fees for all transactions. I like the potential of the Veritaseum platforms because the prices will be honest.

7. I bought VERI tokens because I planned to use them as a fee for access to the VeADIR platform when it went live. Middleton made very clear that the promise of VERI tokens was the software, and that the tokens were meant to be used to access the VeADIR platform, not as an investment.

I declare under penalty of perjury under the laws of the United States of America that the foregoing is true and correct.

Executed on August 19, 2019 in Melbourne, Australia.

  
Raymond Young

**UNITED STATES DISTRICT COURT  
EASTERN DISTRICT OF NEW YORK**

SECURITIES AND EXCHANGE  
COMMISSION,

Plaintiff,

-v.-

REGINALD (“REGGIE”) MIDDLETON,  
VERITASEUM, INC., and VERITASEUM,  
LLC,

Defendants.

Case No. 19-cv-04625 (WFK)  
ECF Case

**DECLARATION OF MIKKO KAJAVA**

I, Mikko Kajava, a resident of Oulu, Finland, declare as follows:

1. I first learned of Veritaseum in or around May 2017 from watching YouTube videos published by the user “jsnip4.” I also viewed videos posted on the YouTube channel of Reggie Middleton, and videos from appearances Middleton made on the television program *Keiser Report*. Web addresses for representative videos I viewed are attached as Exhibit A.

2. I purchased approximately 120 VERI on the last day of the ICO, May 26, 2017. To make this purchase, I converted Bitcoin (“BTC”) into Ethereum (“ETH”). My ICO purchase cost approximately 5 ETH, which was worth between approximately \$700-\$900 at the time.

3. I sold approximately 60 VERI in mid-2018 to help pay for personal expenses. At that time, each VERI was worth approximately \$250. I purchased approximately 60 VERI in early 2019. Both transactions were on ForkDelta, an Ethereum Token Exchange.

4. At no point did Middleton or anyone at Veritaseum describe VERI as a security or investment. In statements I read or viewed by Middleton, he was adamant that VERI was not a security or investment. I recall that on live video streams that he hosted, he would immediately correct anybody who spoke about VERI as a security to explain that a VERI token was not a security, a purchaser would not get any equity in Veritaseum, would have no say in what Veritaseum did, and that the tokens were to use the services offered by Veritaseum.

5. I do not consider VERI to be an investment or a security. I purchased VERI tokens because I thought the software had multiple potential uses that could be of value.

6. One such idea was to build a platform utilizing VERI on Veritaseum to arrange auctions for hospitals and medical supplier. As I understand it, under Finnish law, hospitals must hold public auctions when buying supplies, and accept the lowest bid. I envisioned a use of VERI where medical suppliers would list supplies they sold along with the price they were willing to sell at, and hospitals could hold “automatic auctions” to buy supplies at the lowest price.

7. Another idea to utilize VERI on Veritaseum software involved using VERI to trade in shares of privately held companies in lieu of listing on a public stock exchange.

8. I emailed Middleton my ideas for utilizing VERI tokens on Veritaseum software, and asked if it had the potential to host such platforms in the future. He replied on both occasions that the uses of the platform were something that could be done in the future. Those emails were sent from an email account managed by my ex-employer, and I do not have access to them anymore.

9. I had exploratory discussions about the ideas with several coders and other people I consider technologically savvy. Ultimately, I decided not to pursue these opportunities.

I thought that regulatory uncertainty meant that the platform couldn't support such uses without being subject to government scrutiny.

10. I understand that VERI can be used to purchase research reports of crypto companies. I also understand that VERI can be used for a program called VeADIR, where users can pay VERI to create an automated crypto portfolio that updates in response to trends in the market.

11. I was a beta tester of VeADIR. While the program was in beta in early 2018, I used VERI to pay a fee to have an automated portfolio invest 3 ETH on my behalf. The service worked as advertised.

I declare under penalty of perjury under the laws of the United States of America that the foregoing is true and correct. Executed on August 19, 2019 in Oulu, Finland.

  
Mikko Kajava

**EXHIBIT A**

Reggie Middleton, Veritaseum vs Modern Day Bank Theft!, Nov. 10, 2015, *available at* <https://youtu.be/eSllGx4Tmvk>

Reggie Middleton, Veritaseum - Enter the Blockchain, Feb. 29, 2016, *available at* <https://youtu.be/1I2LC-ieH5M>.

Jsnip4, REALIST NEWS - Veritaseum - How To Get these Coins During the ICO (Before May 25th Deadline), May 23, 2017, *available at* <https://youtu.be/tyh-6YQRPyE>.



**UNITED STATES DISTRICT COURT  
EASTERN DISTRICT OF NEW YORK**

SECURITIES AND EXCHANGE  
COMMISSION,

Plaintiff,

-v.-

REGINALD (“REGGIE”) MIDDLETON,  
VERITASEUM, INC., and VERITASEUM,  
LLC,

Defendants.

Case No. 19-cv-04625 (WFK)  
ECF Case

**DECLARATION OF MIKKO KAJAVA**

I, Mikko Kajava, a resident of Oulu, Finland, declare as follows:

1. I first learned of Veritaseum in or around May 2017 from watching YouTube videos published by the user “jsnip4.” I also viewed videos posted on the YouTube channel of Reggie Middleton, and videos from appearances Middleton made on the television program *Keiser Report*. Web addresses for representative videos I viewed are attached as Exhibit A.

2. I purchased approximately 120 VERI on the last day of the ICO, May 26, 2017. To make this purchase, I converted Bitcoin (“BTC”) into Ethereum (“ETH”). My ICO purchase cost approximately 5 ETH, which was worth between approximately \$700-\$900 at the time.

3. I sold approximately 60 VERI in mid-2018 to help pay for personal expenses. At that time, each VERI was worth approximately \$250. I purchased approximately 60 VERI in early 2019. Both transactions were on ForkDelta, an Ethereum Token Exchange.

4. At no point did Middleton or anyone at Veritaseum describe VERI as a security or investment. In statements I read or viewed by Middleton, he was adamant that VERI was not a security or investment. I recall that on live video streams that he hosted, he would immediately correct anybody who spoke about VERI as a security to explain that a VERI token was not a security, a purchaser would not get any equity in Veritaseum, would have no say in what Veritaseum did, and that the tokens were to use the services offered by Veritaseum.

5. I do not consider VERI to be an investment or a security. I purchased VERI tokens because I thought the software had multiple potential uses that could be of value.

6. One such idea was to build a platform utilizing VERI on Veritaseum to arrange auctions for hospitals and medical supplier. As I understand it, under Finnish law, hospitals must hold public auctions when buying supplies, and accept the lowest bid. I envisioned a use of VERI where medical suppliers would list supplies they sold along with the price they were willing to sell at, and hospitals could hold “automatic auctions” to buy supplies at the lowest price.

7. Another idea to utilize VERI on Veritaseum software involved using VERI to trade in shares of privately held companies in lieu of listing on a public stock exchange.

8. I emailed Middleton my ideas for utilizing VERI tokens on Veritaseum software, and asked if it had the potential to host such platforms in the future. He replied on both occasions that the uses of the platform were something that could be done in the future. Those emails were sent from an email account managed by my ex-employer, and I do not have access to them anymore.

9. I had exploratory discussions about the ideas with several coders and other people I consider technologically savvy. Ultimately, I decided not to pursue these opportunities.

I thought that regulatory uncertainty meant that the platform couldn't support such uses without being subject to government scrutiny.

10. I understand that VERI can be used to purchase research reports of crypto companies. I also understand that VERI can be used for a program called VeADIR, where users can pay VERI to create an automated crypto portfolio that updates in response to trends in the market.

11. I was a beta tester of VeADIR. While the program was in beta in early 2018, I used VERI to pay a fee to have an automated portfolio invest 3 ETH on my behalf. The service worked as advertised.

I declare under penalty of perjury under the laws of the United States of America that the foregoing is true and correct. Executed on August 19, 2019 in Oulu, Finland.

  
Mikko Kajava

**EXHIBIT A**

Reggie Middleton, Veritaseum vs Modern Day Bank Theft!, Nov. 10, 2015, *available at* <https://youtu.be/eSllGx4Tmvk>

Reggie Middleton, Veritaseum - Enter the Blockchain, Feb. 29, 2016, *available at* <https://youtu.be/1I2LC-ieH5M>.

Jsnip4, REALIST NEWS - Veritaseum - How To Get these Coins During the ICO (Before May 25th Deadline), May 23, 2017, *available at* <https://youtu.be/tyh-6YQRPyE>.

**UNITED STATES DISTRICT COURT  
EASTERN DISTRICT OF NEW YORK**

SECURITIES AND EXCHANGE  
COMMISSION,

Plaintiff,

-v.-

REGINALD ("REGGIE") MIDDLETON,  
VERITASEUM, INC., and VERITASEUM,  
LLC,

Defendants.

Case No. 19-cv-04625 (WFK)  
ECF Case

**DECLARATION OF GARY HUGHES**


I, Gary Hughes, a resident of Middlesbrough, England, pursuant to 28 U.S.C.

§ 1746, declare as follows:

1. I first learned of Veritaseum in 2017 through a newsletter published by "clif high." After reading about Veritaseum in the newsletter, I watched many videos of Reggie Middleton posted on his YouTube channel. From his videos, I understood that people buy VERI tokens to use the platform, and on the platform someone could pay in VERI for products and services like research reports, as well as other assets.

2. I purchased about 65,000 VERI tokens during the VERI initial coin offering ("ICO"). Since then, I have sold about 10,000 tokens to help fund personal travel and a business I started.

3. I own about 25 different crypto tokens. Of those, about 20 are owned for speculation. VERI is one of a handful of tokens I own and plan to use in the future. I don't think of VERI as an investment or a speculative product.



19<sup>TH</sup> AUGUST 2019

4. I was attracted to the platform by seeing some of the uses of the technology that Middleton displayed in YouTube videos. One example that stands out is his work in Nigeria, where he gave several university students 20 digital grams of gold on the Veritaseum platform. Three months later, the Nigerian Naira had dropped in value by 10%, while the price of gold had gone up. It made me realize what the platform could do to help people protect their assets against unstable currencies.

5. I also was attracted to the peer-to-peer ("P2P") nature of the Veritaseum platform. In another demonstration video, Middleton showed how cutting out financial intermediaries could speed up the process of buying real estate.

6. I have traded on the VeASSETS platform, which is in beta testing. To gain access, I emailed someone at Veritaseum for a download link. I used the platform to buy gold and silver. I understand that when the platform goes live, I will be able to use VERI tokens to get a discount on those and other assets.

7. I met Middleton once while on vacation in New York in May 2018. Middleton was at a hotel in downtown New York City for a crypto convention, and posted a tweet inviting followers to come visit. When I got there, he invited me to his room, where we spoke for about 20 minutes. I was impressed that he would take time out of his busy day to talk with a stranger like that.


I declare under penalty of perjury under the laws of the United States of America that the foregoing is true and correct.

Executed on August 19, 2019 in Middlesbrough, England.



19<sup>TH</sup> AUGUST 2019





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Gary Hughes

19<sup>TH</sup> AUGUST 2019

**UNITED STATES DISTRICT COURT  
EASTERN DISTRICT OF NEW YORK**

SECURITIES AND EXCHANGE  
COMMISSION,

Plaintiff,

-v.-

REGINALD (“REGGIE”) MIDDLETON,  
VERITASEUM, INC., and VERITASEUM,  
LLC,

Defendants.

Case No. 19-cv-04625 (WFK)  
ECF Case

**DECLARATION OF FERGAL CARROLL**

I, Fergal Carroll, a resident of Melbourne, Australia, pursuant to 28 U.S.C.

§ 1746, declare as follows:

1. I first learned of Veritaseum around July 2017 when I came across an interview of Reggie Middleton conducted by “clif high” on YouTube. I was already active in the “cryptospace” at the time.

2. I learned more about Veritaseum through watching videos posted on Middleton’s personal YouTube channel and by following his account in the Telegram messaging app.

3. I purchased VERI tokens because I was interested in buying commodities on the VeADIR platform, and I recognized that was only one of the many ways the platform could be used. Because of this, I found the platform to be very powerful.

4. I was impressed by Middleton’s objective and the problems he sought to solve with his platform. By purchasing the VERI tokens, I believed I was helping make the

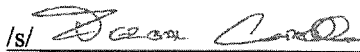
VeADIR platform available to the public and adding value to the relationship between buyer and seller.

5. I first purchased VERI tokens in August 2017. I subsequently made two more purchases, one in December 2017 and one in April 2018. I currently hold 146 VERI tokens. All purchases were made on the Ether-Delta Decentralized digital exchange.

6. My main plan for the long term with the VERI tokens is to hold them. I plan on using the VeADIR platform when it becomes active.

I declare under penalty of perjury under the laws of the United States of America that the foregoing is true and correct.

Executed on August 19<sup>th</sup>, 2019 in Melbourne, Australia.

  
\_\_\_\_\_  
Fergal Carroll

**UNITED STATES DISTRICT COURT  
EASTERN DISTRICT OF NEW YORK**

SECURITIES AND EXCHANGE  
COMMISSION,

Plaintiff,

-v.-

REGINALD (“REGGIE”) MIDDLETON,  
VERITASEUM, INC., and VERITASEUM,  
LLC,

Defendants.

Case No. 19-cv-04625 (WFK)  
ECF Case

**DECLARATION OF FERGAL CARROLL**

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§ 1746, declare as follows:

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2. I learned more about Veritaseum through watching videos posted on Middleton’s personal YouTube channel and by following his account in the Telegram messaging app.

3. I purchased VERI tokens because I was interested in buying commodities on the VeADIR platform, and I recognized that was only one of the many ways the platform could be used. Because of this, I found the platform to be very powerful.

4. I was impressed by Middleton’s objective and the problems he sought to solve with his platform. By purchasing the VERI tokens, I believed I was helping make the

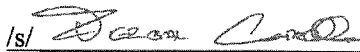
VeADIR platform available to the public and adding value to the relationship between buyer and seller.

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6. My main plan for the long term with the VERI tokens is to hold them. I plan on using the VeADIR platform when it becomes active.

I declare under penalty of perjury under the laws of the United States of America that the foregoing is true and correct.

Executed on August 19<sup>th</sup>, 2019 in Melbourne, Australia.

  
\_\_\_\_\_  
Fergal Carroll

**UNITED STATES DISTRICT COURT  
EASTERN DISTRICT OF NEW YORK**

SECURITIES AND EXCHANGE  
COMMISSION,

Plaintiff,

-v.-

REGINALD (“REGGIE”) MIDDLETON,  
VERITASEUM, INC., and VERITASEUM,  
LLC,

Defendants.

Case No. 19-cv-04625 (WFK)  
ECF Case

**DECLARATION OF DOMINIC GABRIEL MARAZZI**

I, Dominic Gabriel Marazzi, a resident of Knezha, Bulgaria, pursuant to 28 U.S.C.

§ 1746, declare as follows:

1. I first learned of Veritaseum in 2017 through a newsletter published by “clif high.” I knew about Reggie Middleton because I had read his Boom Bust Blog in 2012 and seen appearances he had made on CNBC.

2. Although I had heard of Veritaseum's initial coin offering (“ICO”) on the Ethereum (“ETH”) blockchain, I did not purchase VERI tokens during the ICO because I did not fully understand the token or the software, and I did not want to purchase something I did not understand.

3. Starting in about July 2017, I did more research into Veritaseum by watching videos on Middleton’s YouTube channel. I made my initial purchase of VERI tokens shortly after that. Since then, I have made many more small purchases of VERI throughout 2018, totaling about 350 VERI tokens. I have never sold any VERI tokens.

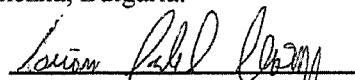


4. I was attracted to the Veritaseum software because I have had a very keen interest in finance since 2006, and the prospect of peer-to-peer (“P2P”) capital markets caught my attention. I know how centralized the current structure of capital markets is, and I thought the Veritaseum platform could fundamentally change the way financial markets are structured. Specifically I believe the problems of systemic and counterparty risk can be solved thanks to the technology behind Veritaseum's platform and Middleton's extensive knowledge of capital markets and blockchain technology.

5. In almost every video I have watched, Middleton repeats that a VERI token is not an investment, share, or a security. I don't consider my VERI tokens to be an investment; I am looking forward to using the tokens when the platform goes live to access the platform, gain exposure to different assets, and to purchase quality financial reports released by Veritaseum's team of analysts.

I declare under penalty of perjury under the laws of the United States of America that the foregoing is true and correct.

Executed on August 19th, 2019 in Knezha, Bulgaria.

  
\_\_\_\_\_  
Dominic Gabriel Marazzi

**UNITED STATES DISTRICT COURT  
EASTERN DISTRICT OF NEW YORK**

SECURITIES AND EXCHANGE  
COMMISSION,

Plaintiff,

-v.-

REGINALD (“REGGIE”) MIDDLETON,  
VERITASEUM, INC., and VERITASEUM,  
LLC,

Defendants.

Case No. 19-cv-04625 (WFK)

**DECLARATION OF PATRYK DWÓRZNIK**

Sworn Declaration of Patryk Dwórznik

Patryk Dworzniak, pursuant to 28 U.S.C. §1746, hereby declares under penalty of perjury as follows:

1. Beginning in June 2014, as described in more detail below, I provided software development services as an independent contractor for Veritaseum. I have never served as an officer, director or employee of Veritaseum.
2. In June 2014, I was offering my services as a software developer through an online work site called Elance. After an interview with Messrs. Reggie Middleton and Matthew Bogosian, I began working on client application portion of software for Veritaseum that would allow persons to enter into matching transactions on a common server. I understood at the time that the software that I was working on would be linked to Bitcoin transactions.
3. In July 2014, I began providing software development services independent of Elance and sent invoices for my services directly to Veritaseum.
4. By July 2015, the matching transactions software for Veritaseum had been sufficiently completed so that we successfully tested a full transaction flow, from browsing ticker data to funding a swap with Bitcoin to swap settlement on the Bitcoin blockchain.
5. During the Fall 2015 and up through April 2016, I continued to provide software development services regarding Bitcoin related software for Veritaseum.
6. In approximately March 2017, Mr. Middleton contacted me to discuss both payment of an unpaid invoice for my prior services and potential new software development work for Veritaseum.
7. In May 2017, I created a "Proof of Concept" memorandum concerning VeADIR architecture and shared that document with Mr. Middleton. Mr. Middleton authorized me to begin working on this Proof of Concept. I worked on the Proof of Concept concerning VeADIR in July, June, and August 2017. During the Summer of 2017, software development professionals from Pragmatic Coders, a company based in Poland, also began working on the VeADIR architecture based, in part, on the Proof of Concept that I had worked on.
8. From September 2017 through January 2018, I provided software development services to Veritaseum to help create a VeADIR system consisting of a set of interacting smart contracts, server code and a web application. My primary role was to supervise the work of other software developers on this project. As initially developed, the VeADIR smart contract allowed holders of Veri tokens to obtain financial exposure to a group of Ethereum-based digital tokens. My

understanding is that the specific selection of tokens was based on research conducted on behalf of Veritaseum.

9. In February 2018, with permission of Veritaseum, I provided the VeADIR smart contract software code to SmartDec, a software development company based in Israel. The code was sent to SmartDec so that SmartDec could perform a security audit of the software code. In April 2018, SmartDec completed its audit of the VeADIR software. They identified issues that software developers under my supervision continued to work on during 2018.

10. In August and September 2017, while the work on VeADIR software continued, I worked on VeRent software, that, when completed, would allow holders of Veri to rent the ownership of Veri to other persons. Like the VeADIR software, I also worked with the Pragmatic Coders team on the the VeRent software project.

11. In mid-2018, in addition to further work on the VeADIR smart contract software, I also developed software, called VeAssets, that allowed persons, including certain holders of Veri tokens, to obtain ownership of precious metals such as gold, silver and palladium through Veritaseum. By September 2018, a version of VeAssets software was ready for testing.

12. I continued to provide software development services to Veritaseum during the Fall of 2018 concerning VeAssets and other projects.

Dated: August 19, 2019  
Seoul, South Korea



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Patryk Dwórzniak

**UNITED STATES DISTRICT COURT  
EASTERN DISTRICT OF NEW YORK**

SECURITIES AND EXCHANGE  
COMMISSION,

Plaintiff,

-v.-

REGINALD (“REGGIE”) MIDDLETON,  
VERITASEUM, INC., and VERITASEUM,  
LLC,

Defendants.

Case No. 19-cv-04625 (WFK)  
ECF Case

**DECLARATION OF CATHERINE HARGADEN**

I, Catherine Hargaden, a resident of Bradford, England, pursuant to 28 U.S.C.

§ 1746, declare as follows:

1. I first learned of Veritaseum through a friend around the time of the Initial Coin Offering (“ICO”). I was generally familiar with Reggie Middleton’s work at the time. I became familiar with Middleton and his work through watching his personal YouTube channel.

2. I purchased approximately 45 VERI tokens during the ICO. I made no further purchases and have not sold any of my tokens.

3. I purchased the VERI tokens because I wanted to be a part of helping change the paradigm in financial markets by eliminating the middleman. Seeing a peer-to-peer (“P2P”) network develop and succeed was very important to me.

4. I am not involved in the stock market, and I did not buy the VERI tokens as a form of investment.

5. I plan to hold on to the VERI tokens and use them on the VeADIR platform, once it is fully developed, to access research and possibly serve as my own real estate broker.

I declare under penalty of perjury under the laws of the United States of America that the foregoing is true and correct.

Executed on August 19th, 2019 in Bradford, England.

A handwritten signature in black ink, appearing to read 'C Hargaden', written in a cursive style.

Catherine Hargaden



**UNITED STATES DISTRICT COURT  
EASTERN DISTRICT OF NEW YORK**

SECURITIES AND EXCHANGE  
COMMISSION,

Plaintiff,

-v.-

REGINALD (“REGGIE”) MIDDLETON,  
VERITASEUM, INC., and VERITASEUM,  
LLC,

Defendants.

Case No. 19-cv-04625 (WFK)  
ECF Case

**DECLARATION OF MATTHEW GROWCOTT**

I, Matthew Growcott, a resident of Brisbane, Australia, pursuant to 28 U.S.C.

§ 1746, declare as follows:

1. I first learned of Veritaseum in 2017 from watching YouTube videos, including videos published by the user “jsnip4” and others who post videos regarding crypto issues and initial coin offerings (“ICOs”). I also viewed videos posted on the YouTube channel of Reggie Middleton. I estimate that I watched roughly 70 to 80 percent of the videos that Middleton posted.

2. I purchased 197 VERI tokens from a friend between in September 2017. I have not sold any VERI tokens since I bought it.

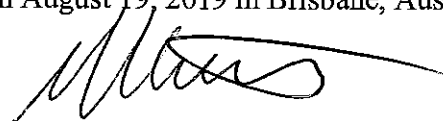
3. At no point did Middleton or anyone at Veritaseum describe VERI as a security or investment. In statements I read or viewed by Middleton, he never once said that VERI was a security or investment. In fact, on multiple occasions I heard Middleton say that VERI was not an investment.

4. I do not consider VERI to be an investment or a security. I have invested in crypto coins that I do consider securities and expect a return on. I did not expect a return on my VERI coins. I purchased VERI because I thought that over the long-term, I would want access to the platform and the features that it offered me.

5. I believe that Veritaseum offers access to financial markets for underserved populations that will have positive impacts around the world. I purchased VERI because I thought the Veritaseum software offered the potential for fairer access to markets. Currently, I and others do not have the same access to financial information that other people have. I believe Middleton's products would change that.

6. I plan to use the tokens once it was clear that regulators would not shut the platform down.

I declare under penalty of perjury under the laws of the United States of America that the foregoing is true and correct. Executed on August 19, 2019 in Brisbane, Australia.

A handwritten signature in black ink, appearing to read 'Matthew Growcott', with a long horizontal flourish extending to the right.

Matthew Growcott

UNITED STATES DISTRICT COURT  
EASTERN DISTRICT OF NEW YORK

SECURITIES AND EXCHANGE  
COMMISSION,

Plaintiff,

-v.-

REGINALD ("REGGIE") MIDDLETON,  
VERITASEUM, INC., and VERITASEUM,  
LLC,

Defendants.

Case No. 19-cv-04625 (WFK)  
ECF Case

**DECLARATION OF MICHAEL GILBERT**

I, Michael Gilbert, a resident of Bradford, England, pursuant to 28 U.S.C.

§ 1746, declare as follows:

1. I first learned of Veritaseum around April 2017 through a friend.

Afterwards, I conducted my own research before deciding to participate in the Initial Coin Offering ("ICO").

2. My research consisted of watching numerous YouTube videos highlighting both the pros and cons of purchasing VERI tokens. I found the cons were generally not about the software, which was what interested me in the product. As well, I studied the Veritaseum website in order to understand the concepts underlying the Veritaseum platform.

3. I made all of my purchases with Ether during the ICO. I purchased a total of 507 VERI tokens. I currently own 313 VERI tokens, because some of my tokens were stolen and I gave some away. I have never sold any of my VERI tokens.

4. I did not consider my purchases of VERI tokens as some form of an investment in a company, rather I considered my purchases more like a membership to a club. In other words, I purchased VERI tokens to utilize the VeADIR platform. It was my understanding the tokens were required to use the platform and its services.

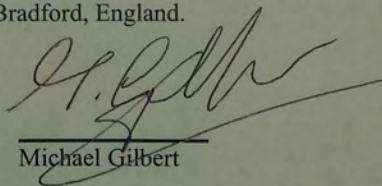
5. I also purchased VERI tokens because I was interested in transacting peer-to-peer ("P2P"), executing transactions more quickly, reducing the cost of transacting, and optimizing the liquidity of my assets such as silver.

6. I participated in a beta test during which Masiah Middleton transferred VeSilver to my wallet. I then transferred the VeSilver to another wallet. The transaction was easy and successful.

7. I do not have a desire to dispose of my VERI tokens. I plan to use them on the VeADIR platform when it becomes active and I look forward to seeing the technology continue to develop.

I declare under penalty of perjury under the laws of the United States of America that the foregoing is true and correct.

Executed on August 19th, 2019 in Bradford, England.



Michael Gilbert



UNITED STATES DISTRICT COURT  
EASTERN DISTRICT OF NEW YORK

SECURITIES AND EXCHANGE  
COMMISSION,

Plaintiff,

-v.-

REGINALD ("REGGIE") MIDDLETON,  
VERITASEUM, INC., and VERITASEUM,  
LLC,

Defendants.

Case No. 19-cv-04625 (WFK)  
ECF Case

**DECLARATION OF MICHAEL GILBERT**

I, Michael Gilbert, a resident of Bradford, England, pursuant to 28 U.S.C.

§ 1746, declare as follows:

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Afterwards, I conducted my own research before deciding to participate in the Initial Coin Offering ("ICO").

2. My research consisted of watching numerous YouTube videos highlighting both the pros and cons of purchasing VERI tokens. I found the cons were generally not about the software, which was what interested me in the product. As well, I studied the Veritaseum website in order to understand the concepts underlying the Veritaseum platform.

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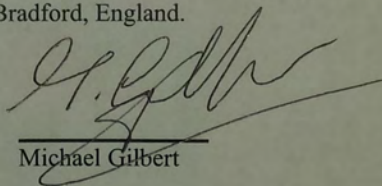
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6. I participated in a beta test during which Masiah Middleton transferred VeSilver to my wallet. I then transferred the VeSilver to another wallet. The transaction was easy and successful.

7. I do not have a desire to dispose of my VERI tokens. I plan to use them on the VeADIR platform when it becomes active and I look forward to seeing the technology continue to develop.

I declare under penalty of perjury under the laws of the United States of America that the foregoing is true and correct.

Executed on August 19th, 2019 in Bradford, England.



Michael Gilbert



**UNITED STATES DISTRICT COURT  
EASTERN DISTRICT OF NEW YORK**

SECURITIES AND EXCHANGE  
COMMISSION,

Plaintiff,

-v.-

REGINALD (“REGGIE”) MIDDLETON,  
VERITASEUM, INC., and VERITASEUM,  
LLC,

Defendants.

Case No. 19-cv-04625 (WFK)  
ECF Case

**DECLARATION OF FRANCIS TAYLOR**

I, Francis Taylor, a resident of Wigan, England, pursuant to 28 U.S.C.

§ 1746, declare as follows:

1. I first learned of Veritaseum in 2017 from a friend. I purchase gold and silver, and was complaining about the process of buying the metals, which for me includes driving to pick it up and finding a place to store it. My friend told me that Veritaseum could offer a solution to those hassles. I then watched training videos on Reggie Middleton’s YouTube channel, and was impressed with how simple using Veritaseum’s software looked.

2. I bought about 33,000 VERI tokens during the ICO, and hold about 30,000 tokens today. I sold about 3,000 VERI tokens because I needed funds to make a real estate purchase. I only sold VERI tokens to fund that transaction because they were the easiest asset to sell.

3. I watched many webinars where Middleton spoke. In every webinar I watched, Middleton refused to discuss price movement of VERI tokens. When it was brought up by someone on a live chat, he would say that he wasn't interested in the price of the token.

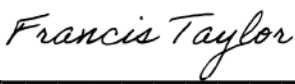
4. There are many other crypto tokens that are purely for investing or gambling. VERI is not that kind of token. I see VERI as analogous to Microsoft Office, which I pay £80 per year for. Paying for the Microsoft Office software costs money, and offers in exchange a variety of programs that are of value to me. Similarly, I paid money for VERI tokens, and did so because the software would be of value to me when it went live.

5. I find it insulting that the SEC thinks I've been misled. I've watched hours of videos in which Middleton has said that VERI was not an investment and refused to discuss the price of the tokens. Middleton constantly said the purposes of the tokens was to use the software, and I admired the way he stuck to his guns on that point.

6. I knew that I was buying access to the Veritaseum software. I had no interest in buying and selling VERI tokens to try to make money. I bought VERI tokens because I wanted to use the Veritaseum software to trade assets once it goes live. I had recently sold my engineering company, and I was looking for a way to continue to make money and occupy my time. I thought that trading assets using the Veritaseum software would be a way to do both.

I declare under penalty of perjury under the laws of the United States of America that the foregoing is true and correct.

Executed on August 18th, 2019 in Wigan, England.

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Francis Taylor

**UNITED STATES DISTRICT COURT  
EASTERN DISTRICT OF NEW YORK**

SECURITIES AND EXCHANGE  
COMMISSION,

Plaintiff,

-v.-

REGINALD (“REGGIE”) MIDDLETON,  
VERITASEUM, INC., and VERITASEUM,  
LLC,

Defendants.

Case No. 19-cv-04625 (WFK)  
ECF Case

**DECLARATION OF MARK SHEAHAN**

I, Mark Sheahan, a resident of Lakewood, Colorado, pursuant to 28 U.S.C.

§ 1746, declare as follows:

1. I first learned of Veritaseum in 2017 through a newsletter published by “clif high.” Before hearing of Veritaseum, I knew who Reggie Middleton was from his appearances on the television show *Keiser Report*. I purchased 300 VERI tokens during the Initial Coin Offering (“ICO”) on May 25, 2017.

2. After my initial purchase, I conducted further research on Middleton and his ideas behind the VERI token and decided to purchase more tokens. I purchased VERI more than 100 times between May 25, 2017 and June 4, 2019, the date of my most recent purchase of VERI tokens. I made the post-ICO VERI purchases on EtherDelta and ForkDelta. I currently own roughly 3,000 VERI tokens, and have sold about 50 tokens at various times on EtherDelta and ForkDelta when I was in need of Ethereum (“ETH”).

3. I bought the tokens with plans to using them on the VeADIR platform. I like the ability of VeADIR to automatically intake research from analysts and use that research automatically build a bucket of assets for me, rather than having to do the research and go buy the assets on an exchange myself.

4. Another reason why I like VeADIR is because it provides an opportunity to people who traditionally haven't been serviced by traditional banks to build an asset portfolio. In addition, the fees someone would pay to build a portfolio on VeADIR would be much lower than by using a traditional Wall Street service.

5. Middleton has preached since the first day I heard him speak about Veritaseum that VERI is not an investment or a security. I am heavily involved in a publicly accessible chat room on the Telegram messaging app, where it is well-known among members of the chat room that the purpose of VERI is to be used as a utility token on Veritaseum's software. Sometimes, people who are new to the chat room discuss the value of VERI, and they are educated by existing members that VERI is not an investment and that the price of the token is not relevant.

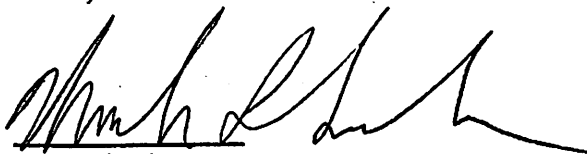
6. I have beta tested every service that Middleton has released, including VeADIR, VeGOLD, VeSILVER, and VePALLADIUM. I've found that the goals and objectives that Middleton set out in what he said publicly about those software programs were accomplished. I used VERI tokens on all four Veritaseum products I beta tested.

7. I am a project manager in software development by trade. As a long-time software professional, I have been impressed with how his development team has developed code and rolled it out in an efficient manner. As part of beta testing the various Veritaseum programs, I identified some bugs in the coding and provided feedback to the Veritaseum team.

The company addressed the issues I raised. All software has bugs, and I did not find any of the programs I tested to be particularly buggy.

I declare under penalty of perjury under the laws of the United States of America that the foregoing is true and correct.

Executed on August 19, 2019 in Lakewood, Colorado.

  
Mark Sheahan