

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

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SECURITIES AND EXCHANGE COMMISSION,	:	
	:	
Plaintiff,	:	19 Civ.
	:	
- against -	:	ECF Case
	:	
REGINALD (“REGGIE”) MIDDLETON,	:	
VERITASEUM, INC., and	:	
VERITASEUM, LLC,	:	
	:	
Defendants,	:	
	:	
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DECLARATION OF PATRICK DOODY

I, Patrick Doody, pursuant to 28 U.S.C. § 1746, declare as follows:

1. I am over 18 years of age, am employed as a Blockchain Data Scientist at Integra FEC LLC (“Integra”), and am a resident of Travis County, Texas. My duties include, but are not limited to, conducting research and analysis of blockchain transactions and cryptocurrency trading activity, compiling and processing data from the blockchain, and conducting background research as necessary to perform my analysis. I received a Bachelor of Science in electrical engineering from Rice University and a Master of Science in electrical engineering from the University of Texas at Austin.

2. I make this Declaration in support of Plaintiff Securities and Exchange Commission’s (“Commission”) Emergency Application for a Temporary Restraining Order Freezing Assets and Granting Other Relief.

3. I am familiar with the facts and circumstances herein. I make this Declaration based upon, among other things, my review and analysis of publicly available blockchain data,

non-public documents provided to me by the staff of the Commission from digital asset trading platforms, and my own professional training, experience, and judgment. Where I rely on the analysis performed by other members of the Integra team, I indicate so below.

4. Integra was engaged by the Commission to assist it in gathering data from the public blockchain, analyzing such data along with data provided to Integra by the staff of the Commission, and to present the Integra team's analysis to the staff.

The Veritaseum and Middleton Blockchain Addresses

5. The Commission staff provided Integra with documents from Veritaseum and Reginald Middleton ("Middleton") that indicated blockchain addresses (both on the Ethereum and Bitcoin blockchains) that appear to be within the control of Veritaseum and/or Middleton or within the control of associates of Veritaseum and/or Middleton. (Exs. 1 to 9 – (emails and correspondence concerning blockchain addresses).)

6. In addition, based on information from digital asset trading platforms through which Veritaseum and/or Middleton exchanged Ethereum or Bitcoin (both cryptocurrencies) for fiat currency (i.e., U.S. dollars), the Integra team and I were able to identify additional blockchain addresses that appear to be used by Veritaseum and/or Middleton.

7. Starting from blockchain addresses with the indicia of association with Veritaseum and/or Middleton through the means outlined above, the Integra team and I analyzed other blockchain addresses and transactions for patterns indicating a high-probability of common control for further analysis and investigation.

8. Based on the methodology described above, we compiled a list of Ethereum and Bitcoin blockchain addresses that appear to be controlled by Veritaseum and/or Middleton or their associates. Each Ethereum blockchain address is identified by the prefix "0x", followed by

a unique 40-character string, and this declaration will refer to certain addresses by a four-character identifier (for example, the address beginning “0xfb90” is referred to herein as “fb90”). That list of addresses, and the four-character identifier if any, is attached as Exhibit 1 to this declaration.

The VERI Initial Coin Offering

9. Digital tokens are at times offered to public investors through an initial coin offering (“ICO”). During the ICO fundraising process, the issuing entity accepts assets in the form of fiat currency (e.g. USD) or other cryptocurrencies (e.g. Ether or Bitcoin) in exchange for the newly issued token. The issued token is represented on a blockchain, which is an immutable, distributed, and cryptographically secure ledger of transactions. The holders of tokens distributed in an ICO are generally entitled to a proportional share of some underlying assets.

10. In order to advertise an ICO, the issuer may promote the new token on social media, online forums, etc. In addition, the issuer often releases a whitepaper that explains their token, future plans for developing technology, the rights or privileges enjoyed by the holders of this new token, and the pricing of the ICO investment.

11. The ICO process entails sending assets to the issuing entity’s blockchain address, bank account, or payment processor. The newly issued tokens are then transferred to the investor’s unique blockchain address. At this point the token holder may hold, transfer, or trade those tokens for other assets. A variety of digital asset trading platforms exist to facilitate the trading of one token for other digital assets or fiat currencies. In many cases, these digital asset trading platforms are prepared to offer trading in a newly issued token immediately after the commencement of an ICO. Once this secondary market for the ICO token has been established, other persons may purchase tokens either directly through the ICO or through a digital asset

trading platform. Some issuing entities may also continue to sell their tokens directly to purchasers after the ICO has officially ended.

12. The Veritaseum initial coin offering (“VERI ICO”) operated, in part, through smart contracts (an agreement defined and automatically enforced by software on the blockchain and associated with a particular blockchain address) that issued Veritaseum tokens (“VERI”) in exchange for Ethereum tokens (“ETH”). VERI were built on the Ethereum blockchain.

Transactions through the ICO smart contract occurred automatically provided that the purchasers of VERI submitted the correct digital currency to the smart contract addresses at 2cc2 and 599a.

13. The VERI ICO utilized three blockchain addresses: (i) 82c4 (the “Token Printer Address”), the address that held approximately 100,000,000 VERI tokens and that issued those VERI tokens to ICO purchasers; and (ii) 2cc2 and 599a (the “ETH Collection Addresses”), two addresses that collected ETH paid by ICO purchasers in exchange for VERI. I identified these addresses through publicly available blockchain transaction data (Ex. 1 (Veritaseum addresses).)

14. The VERI ICO smart contracts operated between April 24, 2017, and May 26, 2017. Throughout this period, if a person sent the correct digital asset currency (ETH) to the ETH Collection Addresses, the smart contracts for the VERI ICO automatically remitted the VERI Tokens to the purchaser. Based on a review of the ETH Collection Addresses, I calculated that Veritaseum collected 37,796 ETH through the ICO smart contracts.

15. In addition, the Integra team and I identified five addresses through which it appears that Veritaseum and/or Middleton conducted over the counter (“OTC”) sales of VERI with certain individual purchasers. These addresses (identified in Ex. 1) were:

- a. 7dad, which collected 1,700 ETH between May 20, 2017, and July 6, 2017 (Ex. 10 (list of 7dad transactions));

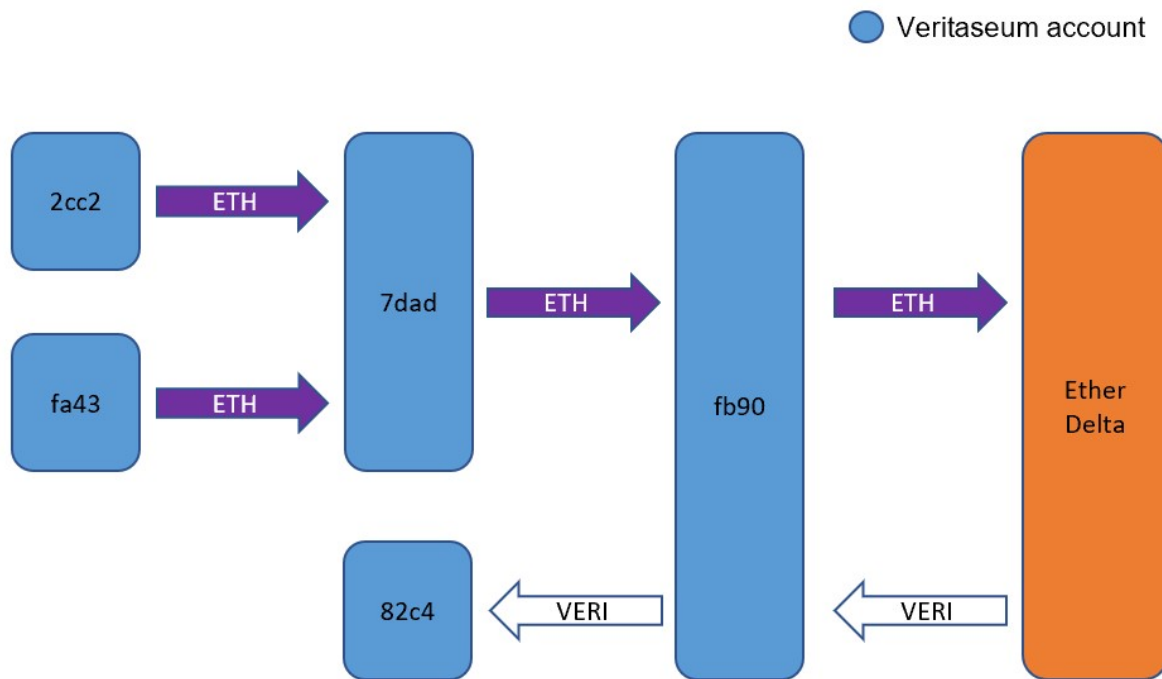
- b. 47af, which collected 22,809 ETH between May 5, 2017, and July 1, 2017 (Ex. 11 (list of 47af transactions));
- c. aeb0, which collected 1,736 ETH on August 8, 2017 (Ex. 12 (list of aeb0 transactions));
- d. f278, which collected 2,500 ETH on December 9, 2017 (Ex. 13 (list of f278 transactions)); and
- e. fa43, which collected 2,465 ETH between May 4, 2017, and May 26, 2017 (Ex. 14 (list of fa43 transactions)).

16. In total, through the VERI ICO smart contracts and the OTC sales, Veritaseum and Middleton raised 69,006 ETH. The closing price of ETH on the last day of the ICO period, May 26, 2017, was \$160.40 (Ex. 17 (Ether historical market prices)). The market value of the 37,796 ETH raised by the ICO smart contracts as of that date was \$6,062,478. The market value of the 31,210 ETH raised collectively by the five OTC addresses was \$8,817,615, calculated by multiplying the amount of ETH raised by each OTC address by the closing price of ETH on the last day of activity for each OTC address (Ex. 17 (Ether historical market prices)). Adding together the value of the ETH raised in the ICO addresses and the ETH raised in the OTC addresses using the calculations described above, the 69,006 ETH raised by Veritaseum and Middleton had a combined market value of \$14,880,093.

Manipulative Trading on June 4, 2017

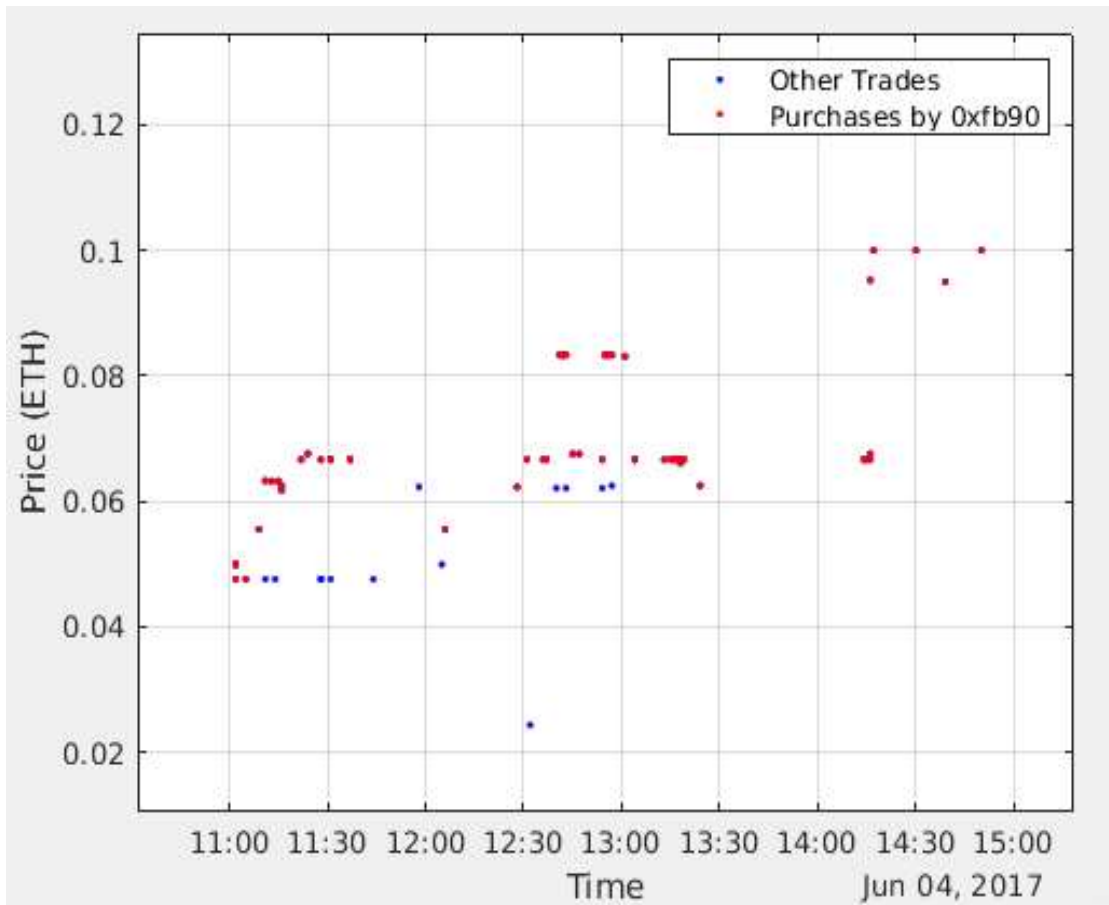
17. Middleton appears to have controlled an address, fb90, that conducted trading of ETH and VERI on EtherDelta, an online digital asset trading platform, beginning with six trades—all sales of the VERI token—on May 31, 2017. (Ex. 15 (fb90 trading activity).) They were the first six trades of VERI ever made on EtherDelta.

18. On June 4, 2017, the 7dad address, referred to above as one of the addresses used to make OTC sales of the VERI Tokens, sent 382 ETH to the fb90 trading address in five transfers between 10:51 a.m. and 1:15 p.m. (Ex. 16 (transfers between 7dad to fb90).) After the trading described below, fb90 sent all of the VERI purchased on EtherDelta back to 82c4 and approximately 69.6 ETH back to 82c4 and 7dad.



19. The fb90 address then conducted 52 trades on EtherDelta, all purchases of the VERI token. (Ex. 15 (fb90 trading activity).) Of those transactions, 42 constituted instances where Middleton offered to purchase VERI Tokens at prices he set that were accepted by the seller(s). The other 10 constituted instances where Middleton caused fb90 to accept offers to sell VERI Tokens at prices that were set by the seller(s). The fb90 address spent approximately 337 ETH to purchase a total of approximately 4,769 VERI. (*Id.*) On June 4, 2017, the approximate value of ETH was \$245.33 per ETH (Ex. 17 (Ether historical market prices)), so the dollar value of the 337 ETH was approximately \$82,676.

20. The chart below illustrates the purchases of VERI by fb90 compared with all other trades of VERI on June 4, 2017. Over 82.6% of the total VERI trade volume that day was purchased by fb90.



21. Based on my and the Integra team's analysis, fb90 paid an average premium of 51% over the last-traded price of VERI on EtherDelta during June 4, 2017. Calculating this statistic involved several steps. First, we identified all the trade prices, trade sizes, and purchasing Ethereum addresses of transactions that took place on the EtherDelta digital asset trading platform on June 4, 2017. Second, we removed any trades with a very small trade size of less than 0.01 VERI or less than 0.01 ETH. Third, any time the same purchase address made

consecutive purchases of VERI tokens without another trader participating in between those purchases, we consolidated those consecutive trades into a single trade price taking place at the highest value executed in that specific batch of consecutive trades. Fourth, we calculated the premium ratio associated with each remaining transaction of VERI tokens by dividing that transaction's trade price by the immediately preceding transaction's trade price. Finally, in order to produce the average premium or discount paid by a trading account, we calculated the geometric mean of the set of premium ratios belonging to that trading account during the entire 24-hour period.

22. The fb90 trades on June 4, 2017, coincided with a 315% increase in the price of VERI. We calculated this coincident price increase by comparing the market price of VERI tokens on the trade immediately preceding fb90's first purchase of VERI tokens (0.0241 ETH) to the price paid during fb90's final purchase of VERI tokens (0.1 ETH).

The Flow of Assets Raised in the VERI ICO

23. As of July 22, 2019, the Integra team and I had traced the flow of ETH raised in the VERI ICO, including over the counter sales. Following the VERI ICO period, ETH tokens from the original ICO and OTC collection addresses were transferred on multiple occasions to other addresses controlled by Veritaseum and Middleton. On that date, 40,496 ETH remained in the 67bb address (Ex. 1), which held nearly all of the raised funds that had not been distributed to an outside party or sent to a digital asset trading platform. (Ex. 18 (67bb Ether transfers and account balance).)

24. Approximately 19,142 ETH traced from ICO and OTC wallets was transferred to Kraken, a digital asset trading platform, to an account held by Middleton where 17,565 ETH was

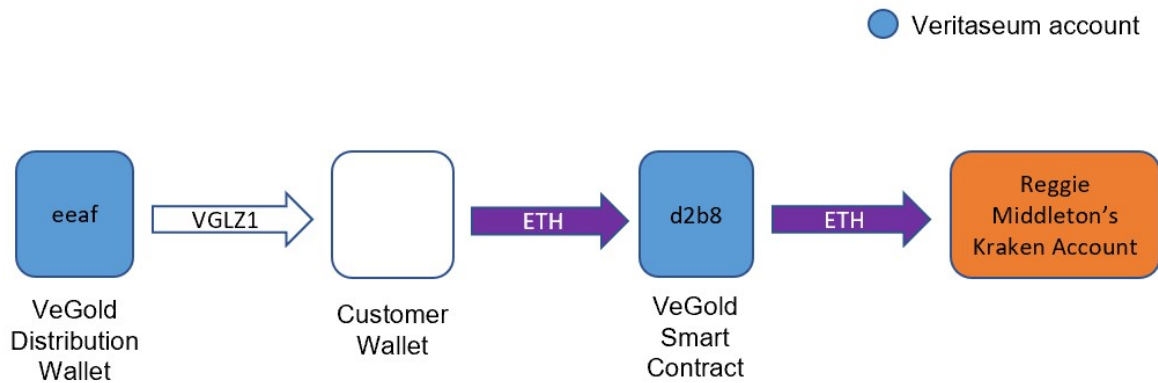
liquidated for \$4,900,605. 1,577 ETH remained in Kraken or was transferred out without being liquidated. (Ex. 19 (Middleton Kraken trading activity).)

25. Approximately 1,758 ETH traced from ICO and OTC wallets was transferred to Coinbase, a digital asset trading platform, to an account held by Middleton. Approximately 1,694 ETH was liquidated for \$216,896. 64 ETH remained in Coinbase or was transferred out without being liquidated. (Ex. 20 (Middleton Coinbase trading activity).)

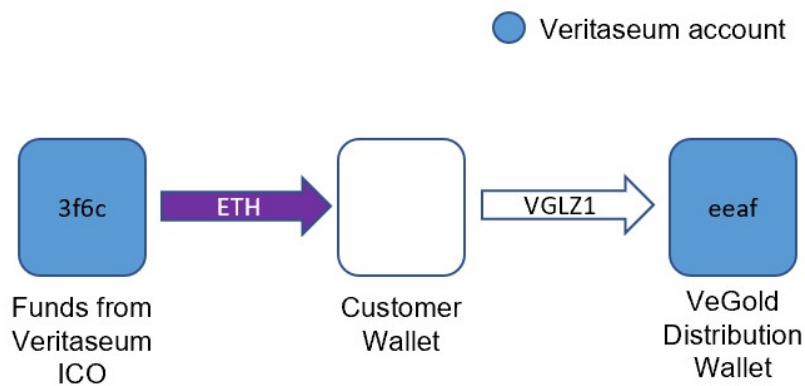
26. As of July 22, 2019, 1,660 ETH traced from ICO and OTC wallets were transferred to an address that appears to be related to “VeGold” tokens. Based on materials available on Veritaseum’s website (<https://veritas.veritaseum.com/>), VeGold appear to be digital tokens issued “that are 100% backed by physical gold” (<https://veritas.veritaseum.com/index.php/component/edocman/velend-an-illustration-of-our-vegold-based-p2p-lending-product>).

The VeGold Asset Flow Structure

27. The VeGold tokens are purchased through a smart contract with the address d2b8 (Ex. 1). Based on my and the Integra team’s research of the d2b8 smart contract, it appears that purchasers send ETH to the d2b8 address. The d2b8 address automatically then forwards the ETH from the purchaser to Middleton’s Kraken account. Shortly after this transaction is completed, another address calls the d2b8 smart contract in a separate transaction. At this point d2b8 sends VeGold (or similar precious metal token) to the purchaser’s address from eef, a Veritaseum address holding VeGold tokens.



28. Based on my and the Integra team's research of blockchain transactions related to VeGold, it appears that holders of VeGold may redeem those tokens back to the eeaf address. When a VeGold holder redeems the VeGold to the eeaf address, the holder is remunerated with a payment of ETH coming from an address holding ETH from the VERI ICO, 3f6c. Over 95% of the ETH held by 3f6c is directly traceable to the VERI ICO.



Recent Movements of ETH from the VERI ICO

29. On July 23, 2019, the Integra team observed that 715 ETH from an apparent Veritaseum address, 2483 (Ex.1), was transferred to Middleton's Kraken account. (Ex. 21 (July 2019 transfers of digital assets).)

30. On July 30, 2019, and July 31, 2019, the Integra team observed that 10,000 ETH (approximately 25% of the remaining ETH from the ICO and OTC fundraising) moved from a known Veritaseum address, 67bb, to another known Veritaseum address, 2483. The 2483 address then sent a total of 650 ETH to the VeGold smart contract at d2b8. (Ex. 22 (July 2019 transfers of digital assets).) At the closing price of ETH on July 31, 2019 of \$218.65 (Ex. 17 (Ether historical market prices)), the market value of this 10,000 ETH is \$2,186,500.

31. The effect of this transfer was that 650 ETH was immediately forwarded to Middleton's Kraken account as explained above in Paragraph 27.

32. In addition, 3.05 VeGold tokens ("VGLK1", representing 1kg of gold each) were issued to the 2483 address controlled by Middleton (Ex. 23 (July 2019 transfers of digital assets).) Thereafter, the VGLK1 tokens were distributed to various unknown addresses without any corresponding transfer back to the 2483 address. (Ex. 24 (VGLK1 token transfers).)


33. Of the 10,000 ETH transferred to the 2483 address, approximately 2,000 ETH was sent to a Kraken deposit address on July 30. Kraken has indicated that the owner of this address is one of either Reginald Middleton or Eleanor Reid.

34. Combining the transactions described above, a total of 3,365 ETH was transferred to two Kraken accounts between July 23, 2019 and July 31, 2019. At the closing price of ETH on July 31, 2019 of \$218.65 (Ex. 17 (Ether historical market prices)), the market value of this ETH is \$735,757.

35. Combining the transactions described above, a total of 10,715 ETH was transferred from known Veritaseum addresses between July 23, 2019 and July 31, 2019. At the closing price of ETH on July 31, 2019 of \$218.65 (Ex. 17 (Ether historical market prices)), the market value of this ETH is \$2,342,834.

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

Executed on August 12, 2019, Austin, Texas.



Patrick Doody