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Call with SEC Staff--Privileged & Confidential

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Reggie, we just spoke to Valerie Szczepanik and Jorge Tenreiro. Here are the highlights (in order of importance):

- The SEC staff (including the Corp. Fin. and Trading & Markets staff members who observed our presentation by video) do not accept that VeADIR is operating only in "beta," because the system currently has "real customers" who have put in "real money." The staff has serious concerns regarding the need for registration as an investment advisor, as broker-dealer, and under the Investment Company Act. Valerie noted that there are no de minimis exceptions for some of these registration requirements, particularly broker-dealer. She said that the SEC does not allow a broker-dealer to begin to operate with only a small number of customers, for example.
- In light of that view, the staff wants to know our intentions regarding VeADIR. I told her that, in light of the small amount of outside money in the system, we did not know that the staff would take that position, but I would inform you immediately so we can decide what to do about it. I said your goal is to try to resolve their investigation into your token sales (on terms that won't destroy your business), operate VeADIR in a manner that the SEC is comfortable with, and obtain all necessary registrations to allow the business to move forward legally. I told her we do not want the SEC staff to think that they have to run into court immediately to get a temporary restraining order halting operation of VeADIR. [THIS MEANS THAT YOU MUST CANCEL ALL CONTRACTS IN THE SYSTEM OTHER THAN YOUR OWN ASAP, AND THAT YOU CANNOT ACCEPT ANY NEW USERS OF THE SYSTEM UNTIL WE HAVE RESOLVED ALL OF THE REGISTRATION ISSUES.]
- On a much more positive note, Valerie was quite receptive to the idea of settlement, combined with a plan for your business to move forward. She said they would have to complete their investigation and noted that they don't know if it will turn up evidence of fraud. She added that a settlement based on a Section 5 violation (unregistered sale of securities) would need to include a rescission offer and registration of the tokens under the 1933 Act, as well as registration of VeADIR going forward. She said she thought that these questions were "not easy," but also "not insurmountable." She added that she is happy that you retained Covington to help you get through them.

- Regarding Jorge's request for a list of the beta users, I told him that that information would be in the emails we produce. He expressed skepticism that you don't know who they are since, there aren't very many of them, and asked if we would review the emails and provide that information. He said he may ask us to provide other information and not just point to the email production. I said we want to cooperate and would take those requests under advisement, but urged him not to call the Beta users because it would not likely yield relevant information and would risk damaging your business before you've even launched it. (That comment led Valerie to make her point, summarized above, that the staff thinks the system is already in operation.)

When will you be back in New York? We need to discuss these issues ASAP. And you should take immediate steps to cancel the open contracts in VeADIR other than your own. We should also discuss the notice you provide to beta users about canceling their open contracts and prohibiting them from entering into new ones.

Best regards,

David

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