

UNITED STATES DISTRICT COURT  
EASTERN DISTRICT OF NEW YORK

SECURITIES AND EXCHANGE COMMISSION,

Plaintiff,

- against -

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

Defendants.

**NOTICE OF DISTRIBUTION  
AGENT’S MOTION FOR ENTRY  
OF AN ORDER APPROVING  
CLAIMS PROCESS**

**19 CIV. 4625 (WFK) (RER)**

**ECF CASE**

TO ALL PARTIES AND THEIR COUNSEL OF RECORD:

PLEASE TAKE NOTICE that, upon the annexed memorandum of law, proposed order and all exhibits annexed thereto, on June 6, 2020, at 9:00 a.m., or as soon thereafter as the matter may be heard before the Honorable Judge William F. Kuntz, in Courtroom 6H N of the United States District Court, Eastern District of New York, 225 Cadman Plaza East, Brooklyn, New York 11201, Holland & Knight LLP (“H&K” or “Distribution Agent”), the Court-appointed Distribution Agent for the Veritaseum Fair Fund, will and hereby does move this Court for an Order approving the proposed claims process attached to the Proposed Order as Exhibit 1 (the “Claims Process”) as the first part of its plan for the distribution of the Veritaseum Fair Fund. Pursuant to X.c. of the Final Judgment as to Defendants Reginald Middleton, Veritaseum, Inc., and Veritaseum, LLC, (ECF No. 61), the Claims Process has been developed by the Distribution Agent in consultation with counsel for the Securities and Exchange Commission (“SEC”), and includes the method by which the Distribution Agent will provide notice to claimants, the method by which claimants may file claims, the methods by which the Distribution Agent will determine eligible claims, and the date by which all claims are to be filed (the “Bar Date”).

The Distribution Agent bases this Motion upon this Notice of Motion and Memorandum of Law, all papers and records on file herein, and such other matters as may be presented to the Court at or before the hearing on this Motion.

By the Motion, the Distribution Agent requests that this Court enter an Order substantially in the form submitted with the Motion, approving the Claim Process.

Dated: May 22, 2020

Respectfully submitted,

/s/ Josias N. Dewey

Josias N. Dewey

Holland & Knight LLP

701 Brickell Avenue, Suite 3300

Miami, Florida 33131

305-789-7746

joe.dewey@hklaw.com

*Court-appointed Distribution Agent for the  
Veritaseum Fair Fund*

UNITED STATES DISTRICT COURT  
EASTERN DISTRICT OF NEW YORK

SECURITIES AND EXCHANGE COMMISSION,

Plaintiff,

- against -

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

Defendants.

**[~~PROPOSED~~] ORDER APPROVING  
CLAIMS PROCESS**

**19 CIV. 4625 (WFK) (RER)**

**ECF CASE**

Before the Court is the Motion of Josias N. Dewey, as Court-appointed Distribution Agent for the Veritaseum Fair Fund, seeking approval of the proposed claims process attached as Exhibit 1 (the “Claims Process”).

The Court having received and read the Motion and accompanying Memorandum (the “Motion Papers”), being so advised in the matter and finding good cause, hereby orders that the Motion is in all respects GRANTED.

1. The claims process attached as **Exhibit 1** (the “Claims Process”), as further explained in the Motion Papers, is approved. The notice procedures set forth in the Claims Process are deemed adequate and sufficient to provide notice to investors of the Claims Process and the Claims Bar Date.

2. To carry out the purposes of this Claims Process, the Distribution Agent is authorized to make non-material changes to the Claims Process if agreed upon by the SEC staff. Material changes to this Claims Process may only be implemented by the Distribution Agent after consultation with, and consent of, the SEC staff and approval by the Court. The Distribution Agent may extend any procedural deadline contained in this Claims Process for good cause shown, if agreed upon by the SEC staff.

3. The Distribution Agent is entitled to rely on all outstanding rules of law and court orders. The Distribution Agent shall not be liable to anyone, except the SEC on behalf of the Veritaseum Fair Fund, for any action taken or omitted by the Distribution Agent in connection with the Claims Process. Potential Claimants will have no claims against the Distribution Agent, its employees, agents, and attorneys in connection with the Claims Process and the Veritaseum Fair Fund administration and will be deemed enjoined from prosecuting or asserting any such claims, except upon a finding by this Court of gross negligence or reckless disregard of duty.

4. This Order is immediately effective and enforceable upon entry. All proceedings with respect to the administration, processing, and determination of claims and the determination of all related controversies shall be subject to the exclusive jurisdiction of this Court.

**SO ORDERED.**

Dated: \_\_\_\_\_, 2020

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HONORABLE WILLIAM F. KUNTZ  
UNITED STATES DISTRICT JUDGE

# EXHIBIT 1

## **Proposed Claim Process**

### **I. Eligible Claimants**

A. All investors who acquired, for value, VERI tokens from Reginald Middleton, Veritaseum, Inc., or Veritaseum, LLC (the “Defendants”) or their agents during the period spanning April 25, 2017 through August 14, 2019, inclusive (the “Relevant Period”).

B. All investors who acquired VERI tokens for value from someone other than Defendants or the Defendants’ agents during the Relevant Period, sold some or all of those tokens on or after the Disclosure on August 12, 2019, and suffered a loss.

C. For investors who made multiple purchases or sales, the first-in, first out method will be applied to such holdings, purchases, and sales. Time of acquisitions or sales will be determined based on transaction initiation, not upon transaction completion.

D. The following are ineligible for a distribution from the Veritaseum Fair Fund:

1. The Defendants;
2. Any past or present director or officer of Defendants, or any of Defendants’ past or present affiliates who served in such a capacity during the Relevant Period and were directly involved in the conduct detailed in the Complaint;
3. Any employee or former employee of Defendants or of any of its past or present affiliates who has been terminated for cause in connection with the violations alleged in the Complaint or any related Securities and Exchange Commission (“SEC”) action, or who was otherwise terminated or has resigned in connection with the violations alleged in the Complaint or any related SEC or criminal action;
4. Any affiliates, assigns, creditors, heirs, distributees, spouses, parents, children, or controlled entities of any of the foregoing persons or entities described in 1–3, above;
5. Any purchaser or assignee of another person's right to obtain a recovery from the Veritaseum Fair Fund, provided, however, that this provision shall not be construed to exclude those persons who obtained such a right by gift, inheritance, devise or operation of law; and
6. The Distribution Agent, its partners, agents, or employees, and those persons assisting the Distribution Agent in its role as the Distribution Agent.

## II. Notice of the Veritaseum Fair Fund and Claims Process

A. Within 30 days after the entry of a Court Order approving this Claims Process, the Distribution Agent shall publish a claims process notice substantially in the form attached as Attachment A (the “Claims Process Notice”) by:

1. Including it in downloadable format on the Veritaseum Fair Fund website ([www.verifairfund.com](http://www.verifairfund.com));
2. Requesting that the SEC post it on its public webpage for this case: <https://www.sec.gov/divisions/enforce/claims/reginald-middleton.htm>;
3. Disseminating it through PRNewswire, and, at the Distribution Agent’s discretion, on cryptocurrency and related online industry publications, online discussion forums, Telegram, and Twitter; and
4. Sending it by electronic mail or U.S. Mail to investors who have communicated with, or provided contact information, to the Distribution Agent.

B. Any potential claimant unable to download or otherwise access the Claims Process Notice may request one from the Distribution Agent via the electronic mail address, physical address, or a toll-free number provided below.

## III. Claim Submission and Claims Bar Date

A. All Veritaseum Fair Fund claimants must file claims on or before 11:59 p.m. (EST) ninety (90) calendar days following the initial publication of the Claims Process Notice (the “Bar Date”). The Bar Date will be included on the Claims Process Notice. Subject to III. F. and III. G. below, claims not timely submitted through the Veritaseum Fair Fund website’s online claim submission process will be ineligible for a Veritaseum Fair Fund distribution

B. In order to be considered for eligibility for a Veritaseum Fair Fund distribution, claimants must submit a claim form that will be substantially similar to Attachment B (the “Claim Form”) and available on the Veritaseum Fair Fund website ([www.verifairfund.com](http://www.verifairfund.com)).

C. In exchange for a Fair Fund distribution, Claimants will be required to submit a release when submitting their claims, releasing and forever discharging the Distribution Agent, the Veritaseum Fair Fund, and all their agents, employees, professionals, successors, and assigns from all claims relating to the Claimant’s demand for Veritaseum Fair Fund distributions or the circumstances giving rise to their Claim. The release is included in the Claim Form.

D. Subject to III. G. below, all completed Claim Forms must be received by the Distribution Agent no later than the Bar Date. The burden is on the claimant to prove timely submission of a Completed Claim Form.

E. Subject to III.F. below, all Claim Forms must be timely submitted through the Veritaseum Fair Fund website’s online claim submission process at [www.verifairfund.com](http://www.verifairfund.com).

F. Claimants may request permission to submit claims by a method other than the online process by contacting the Distribution Agent via the email address, physical address, or toll-free number provided below. The Distribution Agent will give permission at its discretion for good cause shown. All such requests must be made prior to the Bar Date. No alternatively submitted claims will be accepted without the Distribution Agent's prior permission.

G. Claimants may request an extension of the Bar Date by contacting the Distribution Agent via the email address, physical address, or toll-free number provided below. The Distribution Agent will grant extensions at its discretion for good cause shown. All such requests must be made prior to the Bar Date. Late claims will not be accepted unless an extension was requested and granted.

#### **IV. Validation of Claims.**

A. The Distribution Agent will validate claims based on claimant submissions and blockchain transactional data.

B. The Distribution Agent will solicit additional information from claimants with complicated transaction histories or involving certain cryptocurrency exchanges. Claimants who fail to timely provide additional information in response to a request from the Distribution Agent will be deemed ineligible for a distribution.

C. To prevent fraudulent or duplicative claims, the Distribution Agent will verify a claimant's control over an address using a purpose-built Ethereum ERC-20 "Control Token." Failure to prove control within a defined period will result in an automatic emailed notice to the claimant, denying the claim, and stating the grounds for denial. Claimants unable to return the Control Token will have an opportunity to prove their address ownership via alternative means as part of the claim determination reconsideration process.

#### **V. Claim Determinations and Reconsiderations.**

A. Upon completion of its claim review, the Distribution Agent will inform the claimant of the Distribution Agent's claims determination and provide directions on how to seek reconsideration of the same (the "Determination Notice"). The Distribution Agent will send Determination Notices by email unless, in its discretion, another transmission method is appropriate.

B. The Determination Notice will include instructions by which a claimant may cure a defective claim or seek reconsideration of the Distribution Agent's determination ("Reconsideration or Cure Submission"). Reconsideration or Cure Submissions must be received by the Distribution Agent no later than twenty (20) days after the date of the Determination Notice. Reconsideration/ Cure Submissions received by the Distribution Agent after this deadline will not be considered and the determination in the Determination Notice will stand as the final determination on the claimant's Claim. The burden will be on the claimant to prove timely submission of a Reconsideration or Cure Submission.



C. Within ten (10) days of receipt of a claimant's Reconsideration or Cure Submission, the Distribution Agent will communicate to the claimant the results of its review of the submission (the "Final Determination Notice").

## **VI. The Distribution Process**

After the Distribution Agent issues a Final Determination Notice with respect to all claims, the Distribution Agent will submit a plan of distribution to the Court.

## **VII. Proposed Timeline**

The proposed timeline for the Claims Process is as follows. The Distribution Agent, in consultation with the staff of the SEC, may adjust this timeline for good cause.



**VIII. CONTACT INFORMATION FOR THE DISTRIBUTION AGENT:**

Phone: 800-765-7251

Email: [info@verifairfund.com](mailto:info@verifairfund.com)

Web: [www.verifairfund.com](http://www.verifairfund.com)

Mailing address:

Veritaseum Fair Fund  
c/o RCB Fund Services LLC  
17 Technology Pl, Suite 1  
East Syracuse, NY 13057

To:

From: Josias Dewey, Partner, Holland & Knight as Veritaseum Fair Fund Distribution Agent

Date:

Re: Veritaseum Fair Fund—Notice of Claim Process and Bar Date

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**IN THE UNITED STATES DISTRICT COURT  
FOR THE EASTERN DISTRICT OF NEW YORK**

*Securities and Exchange Commission v. Reginald Middleton, Veritaseum, Inc. and Veritaseum  
LLC, 19- Civ-4625 (WFK) (RER)*

The Veritaseum Fair Fund

**CLAIMS BAR DATE: \_\_\_\_\_, 2020**

**Notice of Claims Process and Claims Bar Date**

*THIS NOTICE MAY AFFECT YOUR LEGAL RIGHTS. PLEASE READ IT CAREFULLY.  
AMONG OTHER THINGS, FAILURE TO TIMELY SUBMIT A CLAIM BY THE BAR DATE  
AND PURSUANT TO THE DIRECTIONS BELOW MAY RESULT IN YOUR CLAIM BEING  
BARRED AND DEEMED INELIGIBLE FOR A DISTRIBUTION*

Dear Potential Veritaseum Fair Fund Claimant:

On October 31, 2019, the above-captioned Court entered a Final Judgment creating the Veritaseum Fair Fund and appointing Holland & Knight, LLP as Distribution Agent for the Veritaseum Fair Fund. On \_\_\_\_\_, 2020, the Court entered an order approving a Claims Process, including a Bar Date (the “Claims Order”). Copies of the Claims Order and other information regarding this case are available on the Veritaseum Fair Fund website at [www.verifairfund.com](http://www.verifairfund.com).

You are receiving this Notice because our records indicate you *may* have a claim for a distribution from the Veritaseum Fair Fund. Receipt of this Notice does not mean that you hold a claim or that your claim will be eligible for a distribution from the Veritaseum Fair Fund. Please review this Notice in full; it contains important information about the Veritaseum Fair Fund and how to submit a claim seeking a distribution from the Veritaseum Fair Fund.

**Deadlines for Submitting Claims**

NOTICE IS HEREBY GIVEN that all people seeking a distribution from the Veritaseum Fair Fund should file their claim through the Distribution Agent’s online claim system so that it is completed, submitted, and received by the Distribution Agent’s online claim system by **11:59 p.m. (EST) on \_\_\_\_\_, 2020** (the “Bar Date”). All claims should be filed electronically following the directions and using the online claim system found at [www.verifairfund.com](http://www.verifairfund.com).

Claimants believing they have good cause to extend the Bar Date or submit claims by means other than through the online claim system must request this from the Distribution Agent no later than the Bar Date by requesting through the contact methods listed below or at [www.verifairfund.com](http://www.verifairfund.com). Unless a claim is subject to a Distribution Agent-granted exception, all Veritaseum Fair Fund claims not received via the online claim system by the Bar Date will be barred.

## Background

On August 12, 2019, the SEC commenced an action against Reginald Middleton, Veritaseum, Inc., and Veritaseum, LLC (collectively, the “Defendants”) (the “Civil Action”). The SEC alleged that, beginning on April 25, 2017, the Defendants fraudulently raised approximately \$14.8 million from the unregistered sales of digital securities called “VERI” based on a series of false and misleading statements to potential and actual investors, including misrepresentations about the potential profitability and viability of Veritaseum’s purported operations, the use of funds raised in the VERI initial coin offering (“VERI ICO”), and the amount of funds raised in the VERI ICO. The SEC further alleged that, after the VERI ICO, Middleton placed manipulative VERI trades on a digital asset platform to artificially increase its price and then publicly touted the price increases. Also on August 12, 2019, upon the SEC’s motion, the Court issued a Temporary Restraining Order freezing the Defendants’ assets and appointing an Independent Intermediary to take control of all digital assets controlled by the Defendants. The Complaint can be viewed at [www.verifairfund.com](http://www.verifairfund.com) or on the SEC’s website at <https://www.sec.gov/divisions/enforce/claims/reginald-middleton.htm>.

On November 1, 2019, upon the Defendants’ consent, the Court entered the Final Judgment. In the Final Judgment, the Court ordered the Defendants pay disgorgement of \$7,891,600 and prejudgment interest of \$582,535 and ordered Middleton to pay a civil penalty of \$1,000,000. The Court created the Veritaseum Fair Fund pursuant to Section 308(a) of the Sarbanes-Oxley Act of 2002, 15 U.S.C. § 7246(a), combining the collected disgorgement, prejudgment interest, and civil penalties for distribution. The Final Judgment can be viewed at [www.verifairfund.com](http://www.verifairfund.com)

The Distribution Agent is now soliciting claims from VERI investors who believe they suffered harm as a result of the conduct described in the Civil Action.

**Persons and Entities Potentially Eligible for a Distribution:** As set forth in the Claims Order, the following categories of investors may be eligible for a distribution:

- Persons receiving VERI—by purchase, as compensation for services or labor, or in exchange for anything of value—from Reginald Middleton, Veritaseum, Inc., and Veritaseum, LLC (the “Defendants”) or their agents between April 25, 2017 and August 14, 2019, inclusive (the “Relevant Period”); or
- Persons receiving VERI—by purchase, as compensation for services or labor, or in exchange for anything of value—from someone other than the Defendants or their agents during the Relevant Period *and* selling some or all of that VERI on or after August 12, 2019, suffering a loss.

Certain persons are **not eligible** claimants:

1. The Defendants;
2. Any past or present director or officer of Defendants, or any of Defendants’ past or present affiliates who served in such a capacity during the Relevant Period and were directly involved in the conduct detailed in the Complaint;

3. Any employee or former employee of Defendants or of any of its past or present affiliates who has been terminated for cause in connection with the violations alleged in the Complaint or any related Securities and Exchange Commission (“SEC”) action, or who was otherwise terminated or has resigned in connection with the violations alleged in the Complaint or any related SEC or criminal action;
4. Any affiliates, assigns, creditors, heirs, distributees, spouses, parents, children, or controlled entities of any of the foregoing persons or entities described in 1–3, above;
5. Any purchaser or assignee of another person's right to obtain a recovery from the Veritaseum Fair Fund, provided, however, that this provision shall not be construed to exclude those persons who obtained such a right by gift, inheritance, devise or operation of law; and
6. The Distribution Agent, its partners, agents, or employees, and those persons assisting the Distribution Agent in its role as the Distribution Agent.

The Claims Process:

- Unless granted an exception, claims will only be accepted through the online claims form described in this paragraph. Claimants should review the directions at and submit claims through the online claim system at [www.verifairfund.com](http://www.verifairfund.com) so they are completed, submitted, and received by the Distribution Agent no later than by **11:59 p.m. (EST) on \_\_\_\_\_, 2020**. Claims that are not timely submitted shall be barred.
- Claimants believing they have good cause to extend the Bar Date or submit claims by means other than through the online claim system must request this from the Distribution Agent—through the contact methods listed below and also at [www.verifairfund.com](http://www.verifairfund.com)--no later than the Bar Date. Unless a claim is subject to a Distribution Agent-granted exception, all Veritaseum Fair Fund claims not received via the online claim system by the Bar Date are barred.
- The Distribution Agent will notify all claimants of its claim determination, including any claim deficiencies resulting in claim denial. The Distribution Agent will include instructions for claimants desiring to cure claim deficiencies or request claim determination reconsideration.

Contact Information for the Distribution Agent:

Phone: 800-765-7251

Email: [info@verifairfund.com](mailto:info@verifairfund.com)

Web: [www.verifairfund.com](http://www.verifairfund.com)

Mailing address:

Veritaseum Fair Fund

c/o RCB Fund Services LLC

17 Technology Pl, Suite 1

East Syracuse, NY 13057

## VERITASEUM FAIR FUND

### Claim Form

**Claim Bar Date: 11:59 p.m. (EST), \_\_\_\_\_, 2020**

### Instructions

A. You may be eligible to receive a payment from the Veritaseum Fair Fund if any of the following apply:

- You received VERI—by purchase, as compensation for services or labor, or in exchange for anything of value—from Reginald Middleton, Veritaseum, Inc., and Veritaseum, LLC (the “Defendants”) or their agents between April 25, 2017 and August 14, 2019, inclusive (the “Relevant Period”); or
- You received VERI—by purchase, as compensation for services or labor, or in exchange for anything of value—from someone other than the Defendants or their agents during the Relevant Period *and* you sold some or all of that VERI on or after August 12, 2019, suffering a loss.

And you are not any of the following:

1. A Defendant;
  2. A past or present director or officer of Defendants, or any of Defendants’ past or present affiliates who served in such a capacity during the Relevant Period and were directly involved in the conduct detailed in the Complaint;
  3. An employee or former employee of Defendants or of any of its past or present affiliates who has been terminated for cause in connection with the violations alleged in the Complaint or any related Securities and Exchange Commission (“SEC”) action, or who was otherwise terminated or has resigned in connection with the violations alleged in the Complaint or any related SEC or criminal action;
  4. An affiliate, assign, creditor, heir, distributee, spouse, parent, child, or controlled entity of any of the foregoing persons or entities described in 1–3, above;
  5. A purchaser or assignee of another person's right to obtain a recovery from the Veritaseum Fair Fund, provided, however, that this provision shall not be construed to exclude those persons who obtained such a right by gift, inheritance, devise or operation of law; and
  6. The Distribution Agent, its partner, agent, or employee, and a person assisting the Distribution Agent in its role as the Distribution Agent.
- B. To be considered for eligibility for a Veritaseum Fair Fund payment, you must provide information in this online form and submit a release through the Distribution Agent’s online claim system, located at [www.verifairfund.com](http://www.verifairfund.com). Failing to upload and submit this

information through the Distribution Agent's online claim system so that it is completed, submitted, and received by the Bar Date set forth above may result in your claim being rejected and you being precluded from any recovery from the Veritaseum Fair Fund.

- C. Timely submission of your claim does not guarantee you will be eligible for a distribution from the Veritaseum Fair Fund or that you will be compensated for your claimed loss.
- D. Please fill out this claim form completely. After submission of the claim form, you may be requested to provide documentation to support your claim. Failing to completely fill out the claim form or timely provide all requested documentation will result in rejection of your claim.
- E. Providing a valid email address is required as part of the claims validation process. Failure to provide a valid email address may result in rejection of your claim. Changes to your email address or any contact information must be promptly sent to the Distribution Agent via the contact methods listed at [www.verifairfund.com](http://www.verifairfund.com).
- F. This form requires you to specify all transaction hashes for VERI tokens you acquired. This information is publicly available through any Ethereum blockchain viewer, such as Etherscan (<https://etherscan.io/>). Instructions for locating transaction hashes are available at [www.verifairfund.com](http://www.verifairfund.com).
- G. You will be instructed via email to confirm control of any Ethereum addresses associated with your claimed transactions. Failure to confirm control of these addresses will result in rejection of your claims associated with those addresses.
- H. Submitting your claim using this online claim form is the fastest method to determine your eligibility for a Fair Fund distribution. If necessary, you may request an alternative submission method or a filing time extension from the Distribution Agent via the contact methods listed at [www.verifairfund.com](http://www.verifairfund.com). Any such request must be made before the Bar Date or you will be precluded from filing a claim.
- I. Upon completion of its review of your claim, the Distribution Agent will email you a Claim Determination, informing you of its determination regarding your claim and defining your eligible loss amount, if any. The Claimant may seek reconsideration of a Claim Determination by following the instructions included with the Claim Determination.
- J. Distribution amounts will be determined at a later date based on available Fair Fund assets. There is no guarantee you will be fully compensated for your loss.



**Claim Form****Contact Information**

First Name	
Last Name	
Address Street	
City	
State	
Country	
Zip/Postal Code	
Phone	
Email	
US Citizens or Residents: Tax ID	
Non-US Citizens or Residents:	
<ul style="list-style-type: none"> <li>• Passport Country</li> <li>• Passport Number</li> </ul>	

**Claim Information**

If represented by counsel with regards to this matter, please provide their name, email, phone number, and mailing address.	
What email address did you provide to Veritaseum or Reginald “Reggie” Middleton, if any?	
If entitled to a distribution, would you prefer a distribution by check mailed to you or the return of an equivalent amount of ether (ETH)?	
List all transaction hashes for transactions through which you acquired VERI by purchase, as compensation for services or labor, or in exchange for anything of value.	

### **Tax Certifications**

To ensure that the Fair Fund can comply with its reporting and/or withholding obligations, please complete and provide the Administrator of the Distribution Fund with one (1) of the following forms, as applicable:

- IRS Form W-9; **OR**
- IRS Form W-8BEN, W-8BEN-E, or other W-8 series form

If you are a U.S. person, as that term is defined below, then you should complete the Substitute IRS Form W-9 below.

If you are **not** a U.S. person, then you should **not** complete the Substitute IRS Form W-9 below. Instead, you should complete IRS Form W-8BEN, W-8BEN-E, or other W-8 series form, which can be found by visiting the following IRS website: <https://www.irs.gov/forms-instructions>

The term “U.S. person” means:

- A citizen or resident of the United States,
- A partnership created or organized in the United States or under the law of the United States or of any State, or the District of Columbia,
- A corporation created or organized in the United States or under the law of the United States or of any State, or the District of Columbia,
- Any estate or trust other than a foreign estate or foreign trust (see Internal Revenue Code § 7701(a)(31) for the definition of a foreign estate and a foreign trust), or
- Any other person that is not a foreign person.

If the Fair Fund does not receive a valid and complete Form W-9 or W-8 from you, the Fair Fund may be required under the Internal Revenue Code to make certain presumptions about you for purposes of tax reporting and, as applicable, withholding. The Fair Fund may be required to presume the interest is being paid to: (1) a payee subject to 30% withholding under the Foreign Account Tax Compliance Act (“FATCA”) and reporting on Form 1042-S; (2) a nonresident alien of the U.S. (“NRA”) subject to reporting and 30% NRA withholding and reporting on Form 1042-S; or (3) a U.S. person subject to 24% backup withholding and reporting on Form 1099-INT.

**Substitute Form W-9**  
**Taxpayer Identification Number Certification**

Social Security Number / Employer Identification Number: \_\_\_\_\_

Exempt Payee Code (if any) \_\_\_\_\_ Exemption from FATCA reporting code (if any) \_\_\_\_\_

Check appropriate box for federal tax classification:

☐ Individual ☐ C Corporation ☐ S Corporation ☐ Partnership ☐ Trust/estate ☐ Other

\_\_\_\_\_

☐ Limited Liability Company - choose tax classification ☐ C Corporation ☐ S Corporation ☐ Partnership

Print your name as it appears on your federal income tax return:

\_\_\_\_\_

First Name and Last Name, for Individuals. Entity Name for businesses and trusts.

Under penalties of perjury, I certify that:

1. The number shown on this form is my correct taxpayer identification number; **and**
2. I am not subject to backup withholding because: (a) I am exempt from backup withholding, or (b) I have not been notified by the Internal Revenue Service (IRS) that I am subject to backup withholding as a result of a failure to report all interest or dividends, or (c) the IRS has notified me that I am no longer subject to backup withholding; **and**
3. I am a U.S. citizen or other U.S. person (including a U.S. resident alien); **and**
4. The FATCA code(s) entered on this form (if any) indicating that I am exempt from FATCA reporting is correct.

**Note:** If you have been notified by the IRS that you are subject to backup withholding, you must cross out item 2 above.

Signature  
of U.S. Person: \_\_\_\_\_ Date: \_\_\_\_\_

**Claimant Acknowledgement**

**By submitting this form, Claimant agrees to submit to the exclusive jurisdiction of the United States District Court for the Eastern District of New York for all purposes associated with the submitted claim.** Claimant agrees to waive trial by jury, to the extent such a right exists, and agrees to the Court's summary disposition of claim validity and amount. Claimant acknowledges any funds distribution will be in the manner determined by the Distribution Agent to be in the Veritaseum Fair Fund's best interests, whether in government currency or cryptocurrency.

The claimant consents to the Distribution Agent and his agents' use of any information provided in this Proof of Claim to verify and process the claim and understands that the information will be processed in the United States, protected by appropriate safeguards, stored only as long as required, and shared with the Distribution Agent's agents for claim verification and responses. Claimant consents to the release of related transactional records from cryptocurrency exchanges if the claimant received VERI at an address managed by or held through such an exchange.

European Economic Area Residents may withdraw their consent to store personal data unless there are other grounds for processing that data. Revocation will not affect processed and transferred data. Claimant may exercise rights afforded under applicable data protection law, including access, rectify, erase, restrict, or data portability, or object to the processing of personal data by contacting the Distribution Agent via the contact methods listed at [www.verifairfund.com](http://www.verifairfund.com). Complaints may be lodged with appropriate supervisory authorities in a claimant's country of residence.

**Release**

In exchange for a Fair Fund distribution, the Claimant releases and forever discharges the Distribution Agent, the Veritaseum Fair Fund, and all their agents, employees, professionals, successors, and assigns (collectively, the "Released Persons") from all claims relating to the Claimant's demand for funds from the Veritaseum Fair Fund or the circumstances giving rise to the Claim, which the Claimant now has, or can, shall, or may have, for or by any reason of any cause, matter, or thing whatsoever, prior to and including the date as certified below.

Notwithstanding any applicable legal rights or remedies available, Claimant agrees to return immediately any Veritaseum Fair Fund property that is later found to have been distributed in error or to exceed the Claimant's *pro rata* share of distributed funds. The Claimant will indemnify and hold harmless the Released Persons from and against any damages, costs, or losses that may result from any assertion by any such other entity or person of any such claims.

Submitting this form is the claimant's certification—under penalty of perjury under the laws of the United States of America—that the submitted information is true and correct, that the claim submitted is the Claimant's own, that the Claimant is eligible for a Fair Fund distribution to the best of their knowledge, and that the Claimant has the full authority and capacity to submit this claim and enter into the above agreement and release. By typing the claimant's name below, the claimant consents to the above and agrees to the release.

Date	
Name	

**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) (RER)**

**ECF CASE**

**MEMORANDUM OF LAW IN SUPPORT OF DISTRIBUTION AGENT’S  
MOTION FOR ENTRY OF AN ORDER APPROVING CLAIMS PROCESS**

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The Distribution Agent respectfully submits this memorandum in support of its motion for approval of the claims process attached to the Proposed Order as Exhibit 1 (the “Claims Process”). The Claims Process, developed by the Distribution Agent in consultation with the Securities and Exchange Commission (the “SEC”), is the first step in distributing assets to investors harmed by the conduct underlying this civil action (the “Harmed Investors”). In accordance with Part X of the Final Judgment as to Defendants Reginald Middleton, Veritaseum, Inc., and Veritaseum, LLC (ECF No. 61, the “Final Judgment”), requiring the Distribution Agent to identify Harmed Investors and work with SEC staff to develop a distribution plan for Court approval, the Distribution Agent proposes a bifurcated process. First, the Distribution Agent will identify and solicit information from potentially eligible claimants, including their preferences for “in kind” or cash distributions. This information will assist the Distribution Agent in developing a fair and reasonable distribution plan tailored to this action. Second, the Distribution Agent will propose a distribution plan to the Court by separate motion filed within fifteen days of the conclusion of the claims process, including the mechanics of distributing payments to eligible Harmed Investors. The Distribution Agent consulted with SEC staff on this bifurcated distribution process and the SEC has no objection to the relief sought herein.

### **Procedural Background**

On August 12, 2019, the SEC commenced an action against Reginald Middleton (“Middleton”), Veritaseum, Inc., and Veritaseum, LLC (collectively, the “Defendants”) (the “Civil Action”). The SEC alleged that, beginning on April 25, 2017, the Defendants fraudulently raised approximately \$14.8 million from the unregistered sales of digital securities called “VERI” based on a series of false and misleading statements to potential and actual investors, including misrepresentations about the potential profitability and viability of Veritaseum's

purported operations, the use of funds raised in the VERI initial coin offering (“VERI ICO”), and the amount of funds raised in the VERI ICO (the “Veritaseum Fraud”). *See* Complaint, ECF No. 1. The SEC further alleged that, after the VERI ICO, Middleton placed manipulative VERI trades on a digital exchange, artificially increasing its price, and publicly touting the price increases. *Id.* Upon the SEC’s motion, the Court on August 12, 2019 issued a Temporary Restraining Order (the “TRO”) freezing the Defendants’ assets and appointing an Independent Intermediary to take control of all digital assets controlled by the Defendants. *See* ECF. No. 9.

On November 1, 2019, with the Defendants’ consent, the Court entered the Final Judgment. In the Final Judgment, the Court ordered the Defendants to pay disgorgement of \$7,891,600 and prejudgment interest of \$582,535 and ordered Middleton to pay a civil penalty of \$1,000,000. The Court created a Fair Fund pursuant to Section 308(a) of the Sarbanes-Oxley Act of 2002, 15 U.S.C. § 7246(a), combining the collected disgorgement, prejudgment interest, and civil penalties for distribution (the “Veritaseum Fair Fund”). The Veritaseum Fair Fund is currently comprised of approximately \$1.68 million in cash from the collection of bank assets frozen by the TRO (Final Judgment, Part XVI) and the liquidation of frozen metals (*id.*, Part VIII); and frozen digital assets valued, as of May 18, 2020 at 1:45 p.m., at \$8,592,567.30 (*id.*, Part XVI).<sup>1</sup> We note, however, that the price of ether and bitcoin has historically fluctuated over time as illustrated by the following 12-month trading charts:

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<sup>1</sup> Cash assets are held in in an interest-bearing account at the U.S. Treasury’s Bureau of Fiscal Service; the Distribution Agent holds the digital assets in ether (96%) and bitcoin (4%), which percentages are subject to change based on price fluctuations in the price of ether and bitcoin.



### **Factual Background Relevant to the Proposed Claims Process**

Numerous persons invested in the VERI ICO. During the ICO phase, the price of VERI was tied to the digital asset ether (“ETH”): 1 ETH purchased 30 VERI (subject to certain early-purchaser discounts) during the first 11 days of the offering. Veritaseum sold approximately 1.9 million VERI tokens from April 25, 2017 through May 26, 2017, raising approximately 69,000 ETH—then valued at \$14.8 million. Investors purchased VERI using ether, bitcoin, other virtual currencies, or central bank-issued currencies. Over 22,000 unique Ethereum blockchain addresses currently hold VERI. Because of the blockchain’s pseudonymous nature, the Distribution Agent can obtain information about Harmed Investors’ transactions, but not their identities.

Veritaseum continued selling VERI after the ICO period, through at least February 2018, raising an additional approximately \$2.6 million from investors. Defendants exchanged VERI for services, employee compensation, or for Veritaseum “Class B” shares and “Colored Coins”—virtual tokens sold by Middleton prior to the Veritaseum fraud. VERI token holders also traded their assets on one or more digital asset platforms.

On August 12, 2019, VERI tokens began the day worth approximately \$17.56 apiece.<sup>2</sup> Beginning on August 13, 2019, the day after the SEC filed its complaint against the Defendants and the Court entered the TRO, news of the SEC action and alleged fraud was widely disseminated: by the end of the day on August 13, 2019, VERI was down by 57% from the day before, trading at approximately \$7.52. Based on price and volume reports, it is reasonable to conclude that the news of the alleged fraud was fully incorporated into the VERI price on August 14, 2019, when VERI traded as low as \$3.96 before closing at \$5.38.

### **Additional Considerations Relevant to the Claims Process**

The virtual and online nature of the Veritaseum fraud presents opportunities for efficiencies in the distribution process. VERI tokens exist on the Ethereum blockchain. Many of the Harmed Investors purchased VERI with virtual currencies and VERI token recipients received tokens in an Ethereum address—the equivalent of a cryptocurrency account number. These transactions are visible on the blockchain, and in many cases, the Distribution Agent can use blockchain transactional information to quickly validate claims with minimal supporting documentation from claimants, reducing overall distribution costs. Moreover, if market

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<sup>2</sup> See, e.g., *Veritaseum (VERI) Historical Data*, COINMARKETCAP, <https://coinmarketcap.com/currencies/veritaseum/historical-data/?start=20190801&end=20200505> (last visited May 6, 2020).

conditions permit, eligible Harmed Investors who have access to an Ethereum address may have the option of requesting a distribution in ether, thereby reducing distribution costs.

As described below, the Distribution Agent proposes an online process for claim submission and automated blockchain-based claim validation. This will reduce administrative expenses, increase claim processing speed, and lead to the distribution of funds to eligible Harmed Investors in less time as compared to manual claim processing and analysis. By the steps below, the Distribution Agent will:

- a. Define Eligible Claimants;
- b. Provide notice of the Claims Process and Claims Process instructions to Possible Claimants via electronic means;
- c. Accept claims by electronic means;
- d. Establish a Bar Date and Claims Process timeline;
- e. Determine Eligible Claims and Eligible Loss Amounts; and
- f. Communicate claim determinations and resolve objections to the same.

Included with this motion is a proposed order with the Claims Process attached and examples of the proposed notice and claims form. *See* Proposed Order with Exhibit 1 and Attachments A–B.

### **Discussion**

A district court has broad discretion in approving a Fair Fund distribution plan, including the claims process component. *See Official Comm. of Unsecured Creditors of WorldCom, Inc. v. SEC*, 467 F.3d 73, 84 (2d Cir. 2006). A district court is “required only to determine that the SEC’s distribution plan fairly and reasonably distribute[s] the limited Fair Fund proceeds among the potential claimants.” *Id.* at 85; *see also SEC v. Wang*, 944 F.2d 80, 85 (2d Cir. 1991) (“[O]nce the district court satisfies itself that the distribution of proceeds in a proposed SEC disgorgement plan is fair and reasonable, its review is at an end.”). District courts apply this

same standard to Fair Fund distribution plans—including claims processes—employing a distribution agent working in concert with SEC counsel. *See, e.g., SEC v. CR Intrinsic Inv'rs, LLC*, 164 F. Supp. 3d 433, 435 (S.D.N.Y. 2016); *SEC v. K.W. Brown & Co.*, 05-80367-CIV, 2010 WL 11506361, at \*2 (S.D. Fla. Mar. 3, 2010); *SEC v. Terax Energy, Inc.*, CIV.A.3:07CV1554-BD, 2009 WL 3496147, at \*2 (N.D. Tex. Oct. 28, 2009); *SEC v. Cobalt Multifamily Inv'r I, LLC*, 06 CIV 2360 KMW MHD, 2009 WL 1808980, at \*3 (S.D.N.Y. June 24, 2009). The Distribution Agent proposes the claims process below, which, for the reasons stated, it believes is fair and reasonable and thus should be approved by this Court.

**A. Eligible Claimants: VERI Investors Who Suffered a Loss due to the Conduct Underlying the Civil Action.**

The law treats investors harmed by the Defendants' sales of unregistered securities and those harmed by the Defendants' fraud differently: the former benefit from a statutory presumption of loss causation, *see* 15 U.S.C. § 771 (a)(1), whereas those claiming loss from fraud must show their economic loss was caused by the misrepresentations or omissions, *Dura Pharm., Inc. v. Broudo*, 544 U.S. 336, 342–46 (2005). On the latter, courts will look at the value of the security if no misrepresentations had been made, the purchase price and date, the sale price and date, and whether disclosure of the fraud depressed the sale price. *See Dura*, 544 U.S. at 344–45. Purchasers who sell “before the relevant truth begins to leak out” are not victims of the fraud. *Id.* at 342.

As reflected in the Final Judgment, the Defendants are liable for both the sales of unregistered securities and fraud. With respect to the fraud counts, the fraud was publicly disclosed upon the filing of the Complaint on August 12, 2019 (the “Disclosure”). The SEC's enforcement action was published on the internet that same day and began depressing VERI

market prices.<sup>3</sup> On August 13, 2019, the SEC published a press release<sup>4</sup> and subsequent widespread media coverage of the enforcement action caused the VERI price to plummet, continuing through August 14, 2019, on which the VERI price reached a low of \$3.96 (down 77%) before closing at \$5.38 (down 69%). The relevant period for acquisitions is from the date VERI sales began through the time the Disclosure’s effect on VERI prices was fully realized—April 25, 2017 through August 14, 2019 (the “Relevant Period”). The Distribution Agent proposes dividing claimants into two categories.

The first category, Claimant Type A, includes all investors who acquired VERI—an unregistered security—from the Defendants or their agents for value during the Relevant Period. Investors who acquired VERI after the Relevant Period did so at their own risk and would not be eligible for a distribution. The category includes anyone who received VERI for value, such as those who received VERI in exchange for Veritaseum “Class B” shares or Colored Coins. Their Eligible Harm would be rescissory and limited by actual loss if the claimant sold the security. *See* 15 U.S.C. § 77l(a).

The second category, Claimant Type B, includes all investors acquiring VERI for value from someone other than Defendants or their agents during the Relevant Period, selling on or after the Disclosure on August 12, 2019, and suffering a loss. The fraud and manipulation caused the inflation of the VERI price, as reflected in its post-Disclosure deflation. Those who sold their

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<sup>3</sup> HINDENBURG RESEARCH, *United States Securities and Exchange v. Middleto*, SLIDESHARE (Aug. 12, 2019), <https://www.slideshare.net/HindenburgResearch/united-states-securitiesandexchangevmiddletonetalnyedce190462500010-163254442>.

<sup>4</sup> *SEC Obtains Freeze of \$8 Million in Assets in Alleged Fraudulent Token Offering and Manipulation Scheme*, SEC (Aug. 13, 2019), <https://www.sec.gov/news/press-release/2019-150>.

holdings prior to the Disclosure would not be Harmed Investors because the loss would not be attributable to the Disclosure—they sold before the relevant truth was published.

A claimant may fit into both categories depending on their specific facts and such claims would be apportioned accordingly for purposes of determining claim eligibility. For investors who made multiple purchases or sales, the first-in, first out method will be applied to such holdings, purchases, and sales. Time of acquisitions or sales is determined based on transaction initiation, not upon transaction completion.

Certain persons are not eligible claimants:

1. The Defendants;
2. Any past or present director or officer of Defendants, or any of Defendants' past or present affiliates who served in such a capacity during the Relevant Period and were directly involved in the conduct detailed in the Complaint;
3. Any employee or former employee of Defendants or of any of its past or present affiliates who has been terminated for cause in connection with the violations alleged in the Complaint or any related SEC action, or who was otherwise terminated or has resigned in connection with the violations alleged in the Complaint or any related SEC or criminal action;
4. Any affiliates, assigns, creditors, heirs, distributees, spouses, parents, children, or controlled entities of any of the foregoing persons or entities described in 1–3, above;
5. Any purchaser or assignee of another person's right to obtain a recovery from the Veritaseum Fair Fund, provided, however, that this provision shall not be construed to exclude those persons who obtained such a right by gift, inheritance, devise or operation of law; and
6. The Distribution Agent, its partners, agents, or employees, and those persons assisting the Distribution Agent in its role as the Distribution Agent.

**B. Notice of the Veritaseum Fair Fund will be Provided to Potential Claimants Largely through the Internet.**

To notify Potential Claimants of the opportunity to submit a claim and explain the claims process, the Distribution Agent proposes using online, electronic notice using media similar to



that which Defendants employed to propagate their misrepresentations. As discussed below, the Distribution Agent believes this to be fair and reasonable and to comport with due process.

A claims process must satisfy due process. Due process requires that a party must receive notice “reasonably calculated, under all the circumstances, to apprise interested parties of the pendency of the action.” *Mullane v. Central Hanover Bank & Trust Co.*, 339 U.S. 306, 314 (1950). Internet-based notice is suitable for apprising parties when their involvement in a matter is predominantly internet based and the parties to be noticed are not individually identifiable. *See, e.g., SEC v. Arisebank*, No. 3:18-cv-00186-M (N.D. Tex. Feb. 1, 2019) (order approving claims process, notice procedures, and bar date) (approving receiver’s electronic notice procedures for claimants involved in a fraudulent initial coin offering); *see also Browning v. Yahoo! Inc.*, No. C04-01463, 2007 WL 4105971, at \*4 (N.D. Cal. Nov. 16, 2007) (internet notice “particularly suitable” where claims involved “visits to Defendants’ internet websites”); *Lundell v. Dell, Inc.*, No. CIVA C05-3970 JWRS, 2006 WL 3507938, at \*1 (N.D. Cal. Dec. 5, 2006) (electronically sent and internet-published notice satisfies due process); *cf In re Scotts EZ Seed Litig.*, No. 12 CV 4727 (VB), 2015 U.S. Dist. LEXIS 127844, at \*2 (S.D.N.Y., July 7, 2015) (approving class action online publication in lieu of newspaper publication for noticing likely class members because “times change, progress is made, and reliance on past practice cannot always carry the day”); *Jermyn v. Best Buy Stores, L.P.*, No. 08 Civ. 00214 (CM), 2010 U.S. Dist. LEXIS 130682, at \*11–12, 22 (S.D.N.Y., Dec. 6, 2010) (approving website publication of notice for a class action’s class members not individually identifiable).

Here, internet-based notice is appropriate because the investments were made through the internet and most individual investors are not identifiable. The Defendants primarily interacted with investors via the internet, promoting the VERI ICO through its website, internet news sites,

and social media. Persons acquired VERI through electronic means, including an internet-based smart contract that automatically exchanged ether for VERI. Almost all funds used to acquire VERI were in the form of internet-based cryptocurrencies. Direct notice is not feasible because investors are not identified on the blockchain; the most effective form of media to reach this audience is through the internet. Thus, notice predominantly by means of the internet is both fair and reasonable.

The Distribution Agent will publish a notice as described below (the “Notice”) and attached as Attachment A to the Claims Process in downloadable format on the Veritaseum Fair Fund website,<sup>5</sup> request that the SEC include it on its public webpage for this case,<sup>6</sup> and will disseminate the Notice through PRNewswire and certain of the channels used by Veritaseum in promoting its digital tokens: cryptocurrency and related online industry publications, online discussion forums, Telegram, and Twitter. With respect to investors who have communicated with, or provided their contact information to, the Distribution Agent, the Distribution Agent will send the Notice by electronic or regular mail. Any Potential Claimant unable to download the Notice will be able to request one from the Distribution Agent by electronic mail, U.S. mail, or a toll free number.

The Notice will be substantially in form as Attachment A, including the following:

1. A description of the Civil Action, the Veritaseum Fair Fund, and the Distribution Agent;
2. An explanation of who may be eligible for compensation;

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<sup>5</sup> [www.verifairfund.com](http://www.verifairfund.com)

<sup>6</sup> *Reginald (“Reggie”) Middleton, Veritaseum, Inc., and Veritaseum, LLC*, SEC (Dec. 12, 2019), <https://www.sec.gov/divisions/enforce/claims/reginald-middleton.htm>.

3. A description of the Claims Process, including notification of deficiencies, claim determinations, and the inclusion of curative or reconsideration procedures in such notifications;
4. The online portal web address for making a claim and directions for making a claim, including directions for those who cannot submit claims online;
5. The Bar Date;
6. Links to relevant documents in the case, including the Complaint, the Final Judgment, and the Court order approving the Claims Process;
7. Links to the Veritaseum Fair Fund website and the SEC webpage for the Civil Action; and
8. An email address and toll-free number for communication with the Distribution Agent.

**C. Claims will be Submitted through a Secure Online Form.**

The Distribution Agent proposes a predominantly online claims submission process and believes the same to be fair and reasonable for the reasons set forth in the preceding section. The Distribution Agent will provide electronic form-based claim submission hosted on the Veritaseum Fair Fund website. The online claims form will include protections mitigating the risk of automated form submission by bots and other techniques for submitting false claims. Upon request made in accordance with the procedures set forth in the Notice, the Distribution Agent, in its discretion, will permit the submission of claims via an alternative claims filing procedure for those individuals establishing they are not reasonably able to use the online claims form (e.g., due to government interference or censoring).

The claim form will be substantially in form as Attachment B to the Claims Process. The form will solicit sufficient information to enable the Distribution Agent to validate and assess the claim, communicate with the claimant, and conduct Office of Foreign Assets Control due diligence. The form will require the claimant to attest to the truth and correctness of the submitted information under penalty of perjury. Upon receipt, the Distribution Agent will send to

each claimant confirmation of their successfully submitted claim, and, upon completion of its review—which in many cases may be immediate and automated—will inform each claimant of the Distribution Agent’s claims determination and provide directions on how to seek reconsideration of the same (the “Determination Notice”). After claim submission, the Distribution Agent will communicate primarily with claimants using email; exceptions will be made at the Distribution Agent’s discretion for good cause shown.

**D. The Distribution Agent will Use Blockchain Transactional Information to Validate Claims.**

As discussed above, Veritaseum conducted its ICO on the public Ethereum blockchain network. Blockchains are publicly viewable online ledgers distributed among a global network of computers and are highly resistant to subsequent alteration; thus, a blockchain is often considered an accurate and immutable transaction archives. The Ethereum blockchain stores transactional information permitting the Distribution Agent’s determination of many factors relevant to claim validity and claimant eligibility.

The Distribution Agent proposes validating claims based on claimant submissions and blockchain transactional data. The web-based claim form will permit automated validation and immediate claim determination for many claimants. The Distribution Agent will solicit additional information from claimants with complicated transaction histories or involving certain cryptocurrency exchanges.

The Distribution Agent acknowledges that publicly available transaction data on the Ethereum blockchain makes the process vulnerable to the submission of false claims. To prevent fraudulent or duplicative claims, the Distribution Agent will verify a claimant’s control over an address using a purpose-built Ethereum ERC-20 “Control Token.” After a claimant enters sufficient information in the claims web portal, the Distribution Agent will automatically send a

Control Token to the claimant's Ethereum address. Via email, the Distribution Agent will instruct the claimant to prove control over the claimed address by sending the Control Token back to the Distribution Agent. Failure to prove control within a defined period will result in an automatic emailed notice to the claimant, denying the claim, and stating the grounds for denial. Claimants unable to return the Control Token will have an opportunity to prove their address ownership via alternative means as part of the claim determination reconsideration process.

**E. Investors will Be Provided the Opportunity to Cure Deficiencies in their Claim or Seek Reconsideration of a Claim Determination.**

The Distribution Agent proposes giving each claimant an opportunity to cure a deficient claim and appeal a claim denial. Instructions for this process will be included in the denial-of-claim determination. Curing deficiencies or requests for reconsiderations will be done primarily through email and must be submitted no later than twenty days after the date of a claimant's Determination Notice. Within ten days of a timely submission of deficiency cures or requests for reconsideration, the Distribution Agent will communicate to claimants the results of its review and send a final claim determination ("Final Claim Determination").

**F. Proposed Timeline**

In order to obtain certainty regarding the number and aggregate amount of claims and to allow for a final distribution of Veritaseum Fair Fund assets, the Distribution Agent proposes a Bar Date of 11:59 p.m. (EST), ninety (90) calendar days following publishing of the Claims Process Notice. An identical period was found reasonable and fair in a factually similar case involving an unknown class of cryptocurrency contributors. *See SEC v. Arisebank*, No. 3:18-cv-00186-M (N.D. Tex. Feb. 1, 2019) (order approving claims process, notice procedures, and bar date). Unless the Distribution Agent, in its discretion, determines an exception warranted, claims not properly submitted to the Distribution Agent by the Bar Date will be barred and deemed

waived. The Distribution Agent proposes the following timeframe for implementing the Claims Process:<sup>7</sup>



#### **G. Distribution of Assets**

Fifteen days after the conclusion of the Claims Process—after resolving all requests for reconsideration and deficient claims and sending final claims determinations—the Distribution Agent will propose a distribution plan to the Court.

<sup>7</sup> The proposed Order contains a provision permitting the Distribution Agent to extend procedural deadlines in the Claims Process for good cause shown, if agreed upon by the SEC staff.

**Conclusion**

For the reasons stated above, the Distribution Agent respectfully requests that the Court enter an Order in the form attached, approving the claims process described herein.

Dated: May 22, 2020

Respectfully submitted,

 /s/ Josias N. Dewey

Josias N. Dewey

Holland & Knight LLP

701 Brickell Avenue, Suite 3300

Miami, Florida 33131

305-789-7746

joe.dewey@hklaw.com

*Court-appointed Distribution Agent for the  
Veritaseum Fair Fund*

