

EXHIBIT 10

Page 1

UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF NEW YORK

SECURITIES AND EXCHANGE
COMMISSION,

Plaintiffs,

VS.

) Case No. 19-04635 (WFK)

REGINALD ("REGGIE")
MIDDLETON, VERITASEUM,
INC., and VERITASEUM, LLC,

Defendants.

TELEPHONIC DEPOSITION OF:

MICHAEL DAVID MIDDLETON

SATURDAY, AUGUST 24, 2019

11:45 A.M.

Reported by: GINA M. CLOUD
CSR No. 6315

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| <p style="text-align: right;">Page 2</p> <p>1 Deposition of MICHAEL DAVID MIDDLETON, the 2 witness, taken on behalf of the Defendants, on 3 Saturday, August 24, 2019, 11:45 A.M. at 402 W. 4 Broadway, Suite 1700, San Diego, California 92101, 5 before GINA M. CLOUD, CSR No. 6315, pursuant to 6 subpoena. 7 8 APPEARANCES OF COUNSEL: 9 10 (VIA TELEPHONE) FOR PLAINTIFFS: 11 CAHILL GORDON & REINDEL, LLP 12 BY: VICTOR SUTHAMMANONT, ESQ. 13 80 Pine Street 14 Suite 17 15 New York, New York 10005 16 (212) 701-3339 17 victorsuth@gmail.com 18 (VIA TELEPHONE) FOR DEFENDANTS: 19 COVINGTON & BURLING 20 BY: DAVID KORNBLAU, ESQ. 21 The New York Times Building 22 620 Eighth Avenue 23 New York, New York 10018 24 (212) 841-1084 25 dkornblau@cov.com</p> | <p style="text-align: right;">Page 4</p> <p style="text-align: center;">I N D E X</p> <p>3 WITNESS EXAMINATION PAGE 4 MICHAEL DAVID MIDDLETON 5 (By Mr. Kornblau) 5 6 (By Mr. Suthammanont) 32 7 8 9 10 EXHIBITS 11 NO. DESCRIPTION PAGE 12 Exhibit 1 Deposition Subpoena 10 13 Exhibit 2 Declaration of Micahel Middleton 12 14 15 Exhibit 3 Veritas Product Purchase Agreement 20 16 17 Exhibit 4 Terms and Conditions of the Veritas Sale 20 18 19 Exhibit 9 Veritaseum Populous Forensic Analysis 28 20 21 Exhibit 10 E-Mails with Reggie Middleton re VeADIR in January 2018 30 22 23 24 25</p> |
| <p style="text-align: right;">Page 3</p> <p>1 2 APPEARANCES: (CONTINUED) 3 4 FOR THE WITNESS: 5 GRIMES & WARWICK 6 BY: ROBERT L. GRIMES, ESQ. 7 402 W. Broadway 8 Suite 1700 9 San Diego, California 92101 10 (619) 232-9700 11 bob@gwdefense.com 12 13 14 15 16 17 18 19 20 21 22 23 24 25</p> | <p style="text-align: right;">Page 5</p> <p>1 SAN DIEGO, CALIFORNIA, SATURDAY, AUGUST 24, 2019 2 11:45 A.M. 3 MICHAEL DAVID MIDDLETON, 4 having been first duly sworn, was 5 examined and testified as follows: 6 EXAMINATION 7 BY MR. KORNBLAU: 8 Q. This is David Kornblau. I represent 9 Reggie Middleton and Veritaseum LLC and Veritaseum 10 Inc., the defendants in an SEC action pending in the 11 United States District Court for the Eastern 12 District of New York, civil action number 13 19-04635WFK. This is a deposition in that case. 14 I'm accompanied by my colleague Michael Cuniff, 15 also from Covington & Burling in New York City and 16 in the room with me, and the SEC's New York regional 17 office is counsel for the SEC, who should introduce 18 himself. 19 MR. SUTHAMMANONT: Hello, my name is Victor 20 Suthammonont, counsel for the plaintiff, Securities 21 and Exchange Commission. My last name is spelled 22 S-u-t-h-a-m-m-a-n-o-n-t, and I might be joined by 23 colleagues Jorge Tenreiro and Karen Walengen. 24 MR. KORNBLAU: As I mentioned, counsel for 25 the defendants and counsel for the SEC are in New</p> |

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| <p style="text-align: right;">Page 6</p> <p>1 York City participating by telephone in the SEC's 2 New York office. 3 Could the people in San Diego please -- 4 counsel and the court reporter please identify 5 yourself. 6 MR. GRIMES: Robert Grimes, here with 7 Michael Middleton. 8 THE REPORTER: Gina Cloud, court reporter 9 with Veritext Legal Solutions. 10 MR. KORNBLAU: For the record, has the 11 court reporter placed Michael Middleton under oath 12 for purposes of this deposition? 13 MR. GRIMES: Yes. 14 THE REPORTER: Yes, I did. 15 BY MR. KORNBLAU: 16 Q. Mr. Middleton, can you hear me clearly? 17 This is David Kornblau. 18 A. Yes. 19 Q. Thank you for appearing today, particularly 20 since it's Saturday, I should give the date and 21 time. It is Saturday, August 24 and in New York 22 it's currently 2:52 p.m. 23 Could you please state and spell your full 24 name for the record. 25 A. Michael, M-i-c-h-a-e-l, David, D-a-v-i-d,</p> | <p style="text-align: right;">Page 8</p> <p>1 Q. What case was that in? 2 A. I don't recall. The first time I was ever 3 deposed was when I was 17 years old or 18 after my 4 mother passed away in the MGM fire. 5 Q. Any other time? 6 A. Yes, there were a couple times, and I don't 7 recall the incidences, having to do with my business. 8 Q. How long ago was that? 9 A. Within the last ten years. 10 Q. Do you have any criminal convictions, 11 Michael? 12 A. No, sir. 13 Q. Let me briefly go over the ground rules for 14 the deposition so we have the same understanding. I 15 will ask questions, you will answer them and the 16 court reporter sitting next to you will transcribe 17 your answers for the record. 18 Do you understand that? 19 A. Yes. 20 Q. I would ask you to speak slowly and clearly 21 so the court reporter can keep up. If I ask you a 22 question that's a yes-or-no question, please don't 23 nod or shake your head, use words so it will be 24 clear on the transcript. 25 We need to take turns speaking so we don't</p> |
| <p style="text-align: right;">Page 7</p> <p>1 Middleton, M-i-d-d-l-e-t-o-n. 2 Q. Thank you. Are you related in any way to 3 the defendant in this case, my client Reginald or 4 Reggie Middleton? 5 A. No. 6 Q. Would you mind, so I can avoid confusion on 7 the record, if I called you in this deposition 8 Michael, instead of Mr. Middleton? 9 A. That's fine. 10 Q. No disrespect intended, I'm just concerned 11 about having two Middletons, so that was the only 12 way I could think of to try to just keep that clear. 13 A. I understand. 14 Q. Michael, could you state your current 15 address where you live? 16 A. 14755 High Valley ROAD, city of Poway, 17 P-o-w-a-y, California 92064. 18 Q. Are you represented by counsel in this 19 deposition? 20 A. Yes, sir. 21 Q. Who is that? 22 A. Mr. Robert Grimes. 23 Q. Have you ever been deposed before this 24 deposition? 25 A. Yes.</p> | <p style="text-align: right;">Page 9</p> <p>1 talk at the same time, which would create a 2 confusing record of the deposition. 3 Is that okay? 4 A. Yes. 5 Q. The oath that you took from the court 6 reporter, do you understand that that's an oath to 7 tell the truth? 8 A. Yes. 9 Q. And you understand that it's the same oath 10 as if you were testifying in a court of law. 11 Do you understand that? 12 A. Yes. 13 Q. I will try to speak slowly and clearly, but 14 I'm imperfect like everyone, so if you don't 15 understand one of my questions, please let me know 16 and I'll do my best to clarify it and -- is that 17 understood? 18 A. Understood. 19 Q. And then it's possible that one of the 20 lawyers from the SEC who is in the room here with me 21 may object to a question. Please allow them to do 22 that before you answer the question, just so the 23 record is clear. 24 Is that okay? 25 A. Yes.</p> |

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| <p style="text-align: right;">Page 10</p> <p>1 MR. KORNBLAU: Does the court reporter have 2 the exhibits that we sent over before the 3 deposition? 4 THE REPORTER: I do. 5 MR. KORNBLAU: Could you please hand 6 Michael the exhibit that's been marked Defendant's 7 Exhibit 1. 8 (The document referred to was marked 9 by the reporter as Exhibit 1 for identification 10 and is attached hereto). 11 BY MR. KORNBLAU: 12 Q. Do you have that Michael? 13 A. Yes. 14 Q. Is this the subpoena that we sent to you 15 through your counsel requiring your deposition 16 today? 17 A. Yes. 18 Q. Are you aware that the subpoena also 19 required you to produce documents? 20 A. Yes. 21 Q. Can you please tell us what you did to 22 comply with the document request? 23 A. Yes. I went through all of the e-mail 24 correspondences that I had and documented them all 25 and gave them to my attorney. I also went back to</p> | <p style="text-align: right;">Page 12</p> <p>1 There was one where Reggie Middleton 2 illustrates the pitfalls of American education where 3 he had his daughter and was reading with his 4 daughter. 5 There was a number of videos that he did 6 speaking either about Veritaseum or about the 7 collapse of some companies like I believe Bear 8 Stearns was one. He did a number of other videos 9 over time in his past. My guess, my best guess, is 10 that I watched maybe 30 of those videos back before I 11 ever initially contacted Mr. Middleton. 12 Q. Did any of the videos you watched relate to 13 his company Veritaseum or the veritokens that he 14 sold? 15 A. Yes. 16 Q. What do you recall from those videos? 17 A. I recall that the purpose of the token was a 18 peer-to-peer transfer vehicle, and it was being 19 partially developed. I wasn't sure how far along it 20 was, but it made a lot of sense to me. 21 Q. Let me ask you to turn to Exhibit 2, if the 22 court reporter will hand that to you. 23 (The document referred to was marked 24 by the reporter as Exhibit 2 for identification 25 and is attached hereto).</p> |
| <p style="text-align: right;">Page 11</p> <p>1 look at some of my original information that I 2 reviewed prior to completing the transaction. 3 Q. Did you provide all of that information to 4 your attorney as well? 5 A. I provided what I could. Some of it was 6 just watching videos, so there was nothing to 7 provide. 8 Q. How did you identify the videos? 9 A. I have not, they're in my head. I haven't 10 identified them. 11 Q. I'm sorry, I thought you said that you went 12 to watch some of them. Did I understand that 13 correctly? 14 A. I went to review what I had watched in the 15 past. 16 Q. How did you figure out which ones you had 17 watched in the past? 18 A. I looked on YouTube and went through a bunch 19 of the old videos that had been there the whole time 20 and just kind of looked to see which ones I had seen 21 before. 22 Q. Which ones had you seen before? 23 A. There is a number of them, the ones that I 24 remember were -- and I don't have dates or times, so 25 I can just refer to what I remember.</p> | <p style="text-align: right;">Page 13</p> <p>1 THE WITNESS: I do have it. 2 BY MR. KORNBLAU: 3 Q. Is this the written declaration that you 4 signed for purposes of this case? 5 A. I did. 6 Q. If you turn to page 3 of the declaration, 7 is that your signature? 8 A. It is. 9 Q. When you signed it, did you understand that 10 you were signing under penalty of perjury and 11 stating that the statement was true and correct? 12 A. I did. 13 Q. Michael, how did you first learn about this 14 SEC action against Reggie Middleton and Veritaseum? 15 A. I actually don't recall. There's a number 16 of gentlemen online that I follow that speak about 17 Veritaseum, so I might have heard of it through there 18 or I might have heard of it from -- let me just see 19 if I can recall exactly where I first heard. 20 I don't recall exactly the first time I 21 heard of it, to be honest. I think it was through 22 one of the videos, but I'm not sure. 23 Q. You learned about the SEC's case through a 24 video, is that your recollection? 25 A. I believe so, yes. There was some talk</p> |

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| <p style="text-align: right;">Page 14</p> <p>1 about it online. It was either that or through Bob 2 when Bob contacted me. 3 Q. How did it come about that you signed this 4 declaration that was filed in the court, in the 5 case? 6 A. Because the SEC contacted me for an 7 interview which we did, and they asked if I would 8 sign the declaration, which I went over with my 9 attorney, and we signed it. 10 Q. When did the SEC first contact you for an 11 interview? 12 MR. SUTHAMMANONT: Objection, vague. 13 BY MR. KORNBLAU: 14 Q. Michael, can you answer the question 15 please? 16 A. Could you repeat the question, please? 17 Q. When was the first contact you had from the 18 SEC regarding this case? 19 A. I think it was approximately a year ago. 20 Q. What was that about? 21 A. I believe they were just asking me about my 22 investment or my purchase of Veritaseum, and at that 23 point in time, I asked some questions and I didn't 24 have an attorney. I just answered truthfully at the 25 time and then nothing happened.</p> | <p style="text-align: right;">Page 16</p> <p>1 was set up after that. 2 Q. What did Mr. Suthammanont ask you about 3 when he called you for the interview? 4 A. If I would be willing to talk about 5 Veritaseum and my involvement. 6 Q. Who typed up the declaration that you 7 signed? 8 A. I don't know for sure. I assume it was the 9 SEC. I'm not sure, but I don't think -- I know I 10 didn't do it and I don't think my attorney did it, so 11 I'm assuming it was Victor. 12 Q. Did you do anything to prepare for today's 13 deposition? 14 A. I did. 15 Q. Did you meet with your own attorney? 16 A. I did. 17 Q. Did you meet or talk to anyone from the 18 SEC? 19 A. No. 20 Q. Michael, is it true that you had some 21 potential memory loss in the past year or so? 22 A. Yes. 23 Q. Can you tell us about that? I don't want 24 to pry, but just give us sort of the basics. 25 A. I was involved in a head-on collision, was</p> |
| <p style="text-align: right;">Page 15</p> <p>1 Q. When were you contacted about the 2 possibility of signing a declaration for the case? 3 A. Within the last week. 4 Q. Who contacted you? 5 A. I believe it was after my interview with 6 Victor, I believe. 7 Q. You're referring to Victor Suthammanont 8 from the SEC? 9 A. Yes. 10 Q. How did the interview come about, if it was 11 after the interview? 12 A. The interview came about first and during 13 the interview they asked if I would sign a statement, 14 a declaration. 15 Q. When were you first contacted about the 16 interview? 17 A. Best of my recollection, within the last 18 week, maybe two. 19 Q. How were you contacted for that? 20 A. I believe it was my attorney told me about 21 it, but I can't remember for sure. 22 I'm sorry, Victor contacted me first and I 23 spoke to him, maybe it was a couple weeks ago and 24 then I brought it up to my attorney and then later my 25 attorney contacted them back and then the interview</p> | <p style="text-align: right;">Page 17</p> <p>1 life lifted from the scene of the accident to a 2 hospital. I was in a coma. I suffered a what's now 3 known as a DAI injury, diffuse axonal injury to my 4 head, which was quite severe, and it created some 5 significant memory problems for me and I'm still in 6 treatment for it. 7 Q. When was -- please continue. 8 A. I'm still currently being treated for it. 9 Q. When was the accident? 10 A. March 5. 11 Q. Was the memory loss short term or long term 12 or both? 13 A. I don't know how long term it's going to be. 14 It was very severe short term. It was not only 15 memory loss, but functional ability to use my brain. 16 It's improved significantly since that time. I don't 17 know how long term it's going to be. 18 Q. Have you also had some treatment for 19 alcoholism recently? 20 A. Yes. 21 Q. Has your drinking affected your memory as 22 well? 23 A. I don't know. 24 Q. Could you briefly tell us your educational 25 background, Michael?</p> |

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| <p style="text-align: right;">Page 18</p> <p>1 A. Yes. I graduated from high school. I took 2 approximately two years of college education. 3 Q. What did you study in college? 4 A. I started off in electrical engineering and 5 then I switched over to business. 6 Q. Any training or education after college? 7 A. No. 8 Q. Did the business cover finance or 9 investments for your education? 10 A. Did my education cover finance investment? 11 I took accounting courses. I took real estate law 12 and principles. I had a real estate license at one 13 point. 14 Q. You mentioned earlier that before you 15 bought your veritokens, you had watched some videos 16 of Reggie Middleton; is that correct? 17 A. Yes. 18 Q. Did any of those videos discuss the 19 business of Veritaseum and Mr. Middleton's plans for 20 that business? 21 A. Yes. 22 Q. You mentioned it before, but could you just 23 maybe elaborate a little on what you remember there? 24 A. It seemed to me that the business plan was 25 to create peer-to-peer transfers from one peer to</p> | <p style="text-align: right;">Page 20</p> <p>1 on the website about the tokens? 2 A. Yes. 3 Q. Like what did they say? 4 A. If I remember, most of it was the 5 disclaimers were that it was a software. I can't 6 remember all of them, but I do remember that it was a 7 software, and the other thing disclaimers were I 8 think there was something about nothing was to be 9 construed as investment advice. 10 Q. Do you remember if the website said that 11 the tokens were not investments? 12 A. I don't recall that, to be honest, but it 13 wouldn't surprise me. 14 Q. Do you remember if the website directed you 15 to any legal documents concerning the tokens and the 16 sale of the tokens? 17 A. I'm sure that it did, but I don't recall 18 what they were. 19 MR. KORNBLAU: If the court reporter could 20 hand the witness Exhibits 4 and 5, I would 21 appreciate it -- excuse me, 3 and 4. 22 (The documents referred to were marked 23 by the reporter as Exhibits 3 and 4 for 24 identification and are attached hereto). 25 BY MR. KORNBLAU:</p> |
| <p style="text-align: right;">Page 19</p> <p>1 another, one computer to another, electronically. 2 Q. Yes, please continue. 3 A. He had a lot of other ideas as to exactly 4 what they were going to do with the token and the 5 different things that it could be used for. 6 The thing that struck me the most was the 7 peer-to-peer transfer of value transfer, whatever my 8 understanding was, that eventually you would be able 9 to -- you would be able to transfer assets in a token 10 form through the Veritaseum and VeADIR platform. 11 Q. What was your understanding of what kind of 12 assets could be transferred? 13 A. Almost unlimited I thought at the time. 14 Once they eventually got there. Seemed to me like 15 stocks, bonds, gold, whatever software, whatever had 16 value. 17 Q. Before you bought the veritokens, did you 18 also read some documents and other materials? 19 A. Regarding what? 20 Q. The tokens and the company. 21 A. Before I bought them? Yes, I read I believe 22 it was a white paper. 23 Q. Did you go to the company's website? 24 A. I believe I did. 25 Q. Did you see any disclaimers or disclosures</p> | <p style="text-align: right;">Page 21</p> <p>1 Q. For the record, Exhibit 3 is a document of 2 four pages entitled "Veritaseum Veritas Product 3 Purchase Agreement." 4 Do you see that, Michael? 5 A. I do. 6 Q. I couldn't hear your answer? 7 A. I do. 8 Q. And Exhibit 4 is a longer document, 18 9 pages entitled, "Veritaseum, Terms and Conditions of 10 the Veritas Sale." 11 Do you see that document? 12 A. Yes. 13 Q. Do you remember if you saw either of these 14 documents before you bought the veritokens? 15 A. I believe I did see them, yes. 16 Q. Maybe if you could look at Exhibit 3, the 17 product purchase agreement, and turn to page 2. 18 Tell me if you're at page 2? 19 A. I am. 20 Q. And there is a series of bullet points. 21 Let me read the first bullet point: "By purchasing 22 Veritaseum, you, the purchaser, represents and 23 warrants that the purchaser has an understanding 24 that Veritas are redeemable solely to Veritaseum LLC 25 in Veraform for various products and services</p> |

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| <p style="text-align: right;">Page 22</p> <p>1 offered by Veritaseum LLC, or to access various 2 features or aspects of the Veritaseum platform or 3 other Veritaseum LLC software products." 4 Did I read that correctly? 5 A. I believe so. 6 Q. Do you remember reading that before you 7 bought your tokens? 8 A. I think I remember receiving it. To be 9 honest, I don't think I remember reading it. 10 Q. What I just read, was that your 11 understanding at the time you bought the token? 12 A. Yes. 13 Q. Then if you read down to the second to the 14 last bullet, it says that: "The purchaser 15 represents and warrants that purchaser is not 16 exchanging bitcoin" -- 17 A. Where are you? I don't see where you are. 18 Q. Sorry, it's the 7th bullet on that page. 19 Second page of the document. 20 A. I'm sorry, I was on page 2. Go ahead. 21 Q. No problem, I'll start again. This bullet 22 point reads: "The purchaser represents and warrants 23 that purchaser" -- 24 A. I'm sorry, I'm still not with you. 25 Q. -- "for Veritas for the purpose of</p> | <p style="text-align: right;">Page 24</p> <p>1 A. Yes. 2 Q. Do you see that? 3 A. Yes. 4 Q. The first quote that I read for you before 5 was the first bullet point. And I'll read that 6 again. 7 A. Please. 8 Q. "By purchasing Veritas, the purchaser 9 represents and warrants that the purchaser has an 10 understanding that Veritas are redeemable solely to 11 Veritaseum LLC in bearer form for various products 12 and services offered by Veritaseum LLC, or to access 13 various features or aspects of the Veritaseum 14 platform or other Veritaseum LLC software products." 15 Now do you see what I've read? 16 A. Yes. 17 Q. Is that consistent with your understanding 18 at the time you bought the token? 19 A. Yes. 20 Q. So now I'm skipping down to the 7th bullet 21 point, and it's on that same page, so it's the 22 second to last bullet point and I'll read that one 23 again: "The purchaser represents and warrants that 24 purchaser is not exchanging bitcoin (BTC), for 25 Veritas for the purpose of speculative investments."</p> |
| <p style="text-align: right;">Page 23</p> <p>1 speculative investments." 2 Did I read that correctly? 3 A. I'm still not with you. Because we're on a 4 speaker, you can't hear me. I still don't see where 5 you are. 6 Q. You saw the first bullet point that I read? 7 A. No, I didn't, I just heard you read it and 8 from what you heard, I was trying to find it on the 9 page. I was on page 2, which is the third page. 10 Q. We'll start again, I'm sorry. It's hard to 11 do this over the phone. 12 A. It is. 13 Q. But we'll get there. 14 The very front page of the document says 15 "Veritas Product Purchase Agreement." 16 Do you see that? 17 A. Yes. 18 Q. The cover page? 19 A. Yes. 20 Q. Now just look at the very next page. 21 A. Got it. 22 Q. At the bottom it says page 1? 23 A. Yes. 24 Q. And then on the left side there is a series 25 of bullet points?</p> | <p style="text-align: right;">Page 25</p> <p>1 Now do you see that one? 2 A. I do. 3 Q. Do you understand that you made that 4 representation to Veritaseum at the time that you 5 bought the token? 6 MR. SUTHAMMANONT: Objection. 7 BY MR. KORNBLAU: 8 Q. Michael, can you answer the question? 9 A. I didn't know I was supposed to after the 10 objection. I'm sorry. 11 Q. Please go ahead. 12 A. Can you repeat the question, please. 13 Q. Did you understand at the time you bought 14 the token that you were representing and warranting 15 that you were not exchanging bitcoin for Veritas for 16 the purpose of speculative investment? 17 MR. SUTHAMMANONT: Objection. You can 18 answer. 19 THE WITNESS: I know, I'm thinking. Yes. 20 BY MR. KORNBLAU: 21 Q. If you look at the other exhibit, Exhibit 22 4 -- we're going to skip Exhibit 4, Michael, we're 23 fine. 24 Have you seen those documents before you 25 bought your tokens?</p> |

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| <p style="text-align: right;">Page 26</p> <p>1 A. These two documents?</p> <p>2 Q. Yes.</p> <p>3 A. I believe so, but I don't have 100%</p> <p>4 recollection. I know that from the time that I</p> <p>5 originally contacted Mr. Middleton, to the time that</p> <p>6 I bought them was only a couple days and I believe</p> <p>7 that these documents came over, but I don't recall</p> <p>8 100% how much I actually reviewed them.</p> <p>9 Q. You bought -- excuse me. You bought 60</p> <p>10 bitcoin worth of veritokens, is that correct?</p> <p>11 A. Yes.</p> <p>12 Q. And that was around June 7, 2017?</p> <p>13 A. That's correct.</p> <p>14 Q. Do you recall what the approximate U.S.</p> <p>15 dollar value of the 50 bitcoin was at that time?</p> <p>16 A. \$140,000.</p> <p>17 Q. Had you been in contact directly with</p> <p>18 Reggie Middleton before you bought those tokens?</p> <p>19 A. Yes.</p> <p>20 Q. Before you bought them?</p> <p>21 A. Before I bought the Veritaseum, yes.</p> <p>22 Q. Okay. What happened with the tokens after</p> <p>23 you bought them?</p> <p>24 A. I still own most of them. I bought a couple</p> <p>25 reports from Veritaseum, but I own almost all of them</p> | <p style="text-align: right;">Page 28</p> <p>1 A. That's correct.</p> <p>2 Q. Was that around November 2017?</p> <p>3 A. Let me look.</p> <p>4 Q. I didn't hear your answer?</p> <p>5 A. I said let me look.</p> <p>6 The answer is yes.</p> <p>7 Q. Are you still looking, Mike?</p> <p>8 A. I said the answer is yes.</p> <p>9 Q. I'm sorry, I didn't hear that, thank you.</p> <p>10 I'll ask the court reporter to hand you</p> <p>11 Exhibit 9.</p> <p>12 (The document referred to was marked</p> <p>13 by the reporter as Exhibit 9 for identification</p> <p>14 and is attached hereto).</p> <p>15 BY MR. KORNBLAU:</p> <p>16 Q. Am I correct Michael, this is a research</p> <p>17 report that says "Veritaseum Populous Forensic</p> <p>18 Analysis"?</p> <p>19 A. Correct.</p> <p>20 Q. I couldn't hear your answer?</p> <p>21 A. Correct.</p> <p>22 Q. Is this the research report you bought from</p> <p>23 Veritaseum?</p> <p>24 A. I believe so.</p> <p>25 Q. And you used your tokens for that purpose?</p> |
| <p style="text-align: right;">Page 27</p> <p>1 still.</p> <p>2 Q. Do you remember anything that happened</p> <p>3 shortly after you bought them? Did you see a price</p> <p>4 decline?</p> <p>5 A. I did. I saw a price decline on the</p> <p>6 exchange where the price determination was made, so</p> <p>7 yes.</p> <p>8 Q. What did you do?</p> <p>9 A. I wrote an e-mail to Reggie expressing my</p> <p>10 concern.</p> <p>11 Q. What response did you get?</p> <p>12 A. I got a detailed response from Reggie</p> <p>13 outlining the terms and conditions of the sale,</p> <p>14 explaining some things that I did not contemplate</p> <p>15 when I wrote the e-mail, and offering to refund me my</p> <p>16 bitcoin if I was dissatisfied.</p> <p>17 Q. Did you get the refund?</p> <p>18 A. No. I wrote an e-mail back and basically</p> <p>19 agreed with everything Mr. Middleton said in his</p> <p>20 e-mail. I actually issued an apology to him and told</p> <p>21 him I wanted to keep the Veritas tokens and move</p> <p>22 forward as if my e-mail didn't happen.</p> <p>23 Q. You mentioned that you used some of your</p> <p>24 veritokens to buy a research report; is that</p> <p>25 correct?</p> | <p style="text-align: right;">Page 29</p> <p>1 A. Yes.</p> <p>2 Q. How many did you use?</p> <p>3 A. I believe initially, and I'm not sure, but</p> <p>4 my memory is I think it was one, and then I used</p> <p>5 another half of one when the report was updated.</p> <p>6 Q. Do you remember when that was?</p> <p>7 A. It's in my e-mails, let me look. It was in</p> <p>8 December of 2017.</p> <p>9 Q. So you bought the original and an update,</p> <p>10 one in November and the update the following month;</p> <p>11 is that right?</p> <p>12 A. That's correct.</p> <p>13 Q. Did you also inquire to Reggie Middleton</p> <p>14 about the possibility of using his VeADIR, and</p> <p>15 that's v-e-a-d-i-r, all caps except for the e, did</p> <p>16 you inquire of Reggie Middleton when you might be</p> <p>17 able to use the VeADIR platform?</p> <p>18 A. Yes, I did.</p> <p>19 Q. What was your understanding of the VeADIR</p> <p>20 platform at that time?</p> <p>21 A. At that time I thought that it might allow</p> <p>22 me to make an exchange or to trade some bitcoin, and</p> <p>23 that's why I contacted Reggie.</p> <p>24 MR. KORNBLAU: Let me ask the court</p> <p>25 reporter to show you Exhibit 10.</p> |

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| <p style="text-align: right;">Page 30</p> <p>1 (The document referred to was marked 2 by the reporter as Exhibit 10 for identification 3 and is attached hereto). 4 BY MR. KORNBLAU: 5 Q. Are these your e-mails with Reggie 6 Middleton about your interest in using the VeADIR in 7 January 2018? 8 A. Yes. 9 Q. On January 6, 2018, did you write to Reggie 10 Middleton "I own about 2,350 Veri and I'm 11 considering moving about 50 bitcoin into bitcoin 12 cash in the near future. The exchanges are costly 13 and difficult to get in and out of. I am of the 14 opinion that I might be able to get a better 15 exchange value for my bitcoin from a peer-to-peer 16 transaction. I am thinking that the VeADIR might be 17 the better option. Is it ready for this yet? Is 18 there someone you can refer me to that might be able 19 to assist me so I don't make a silly mistake?" 20 Did you write that to Reggie Middleton? 21 A. Yes. 22 Q. At that time, why did you think the VeADIR 23 might be the better option for what you were 24 contemplating, the transaction you were 25 contemplating?</p> | <p style="text-align: right;">Page 31</p> <p>1 A. Because I thought it would be peer-to-peer 2 with me going directly to someone else without the 3 need for an exchange and a middleman to pay costs 4 associated with the trade. 5 Q. What did Reggie Middleton respond to your 6 inquiry? 7 A. Let me see real quick. 8 He responded: "The VeADIR is not there yet. 9 I suggest you ask the Veri telegraph community for 10 pointers." 11 Q. When you approached or inquired of Reggie 12 Middleton about this topic, were you thinking that 13 that would be one way you could use the Veritokens 14 that you held at that time? 15 A. I was hoping to, yes. 16 Q. Do you still own the Veritokens that you 17 bought initially, other than the tokens that you 18 spent on the research report and the update? 19 A. Yes. 20 MR. KORNBLAU: That's all the questions we 21 have. Mike, thank you very much. I'm going to give 22 the SEC lawyers a chance to ask questions as well. 23 /// 24 /// 25 ///</p> | <p style="text-align: right;">Page 32</p> <p>1 EXAMINATION 2 BY MR. SUTHAMMANONT: 3 Q. Hello Mr. Middleton, this is Victor 4 Suthammanont from the SEC. 5 A. Hello. 6 Q. I just have a few quick questions. 7 In the exhibit, Defendant's Exhibit I think 8 they marked it as 10, that Mr. Kornblau was just 9 speaking to you about, approximately how long after 10 you purchased your Veri, did you reach out to 11 Mr. Middleton to inquire about the use of the 12 VeADIR? 13 A. I don't recall the first time that I did. 14 Q. In the e-mail in Exhibit 10, January 2018, 15 how long was January 18 after you had purchased the 16 Veri purchase? 17 A. That was -- I think it was back in June so 18 approximately 18 months approximately, although I 19 think I had -- in one way or another I had looked 20 into the VeADIR before to see if it could be used. I 21 can't remember if I called Reggie or if I just 22 researched it myself. This is the only documented 23 instance I have of it. 24 Q. 18 months or six months? Between June of 25 2017 --</p> | <p style="text-align: right;">Page 33</p> <p>1 THE REPORTER: You guys are cross talking, 2 you have to start your question again. 3 THE WITNESS: I would like to amend my 4 answer to six months. 5 BY MR. SUTHAMMANONT: 6 Q. Thank you. 7 Sir, in looking at Exhibit 10, you had 8 mentioned that you were looking for a peer-to-peer 9 way to do a bitcoin transaction. Do I remember 10 that -- do you remember that testimony? 11 A. That's correct. 12 Q. Why did you believe that VeADIR might be 13 able to do peer-to-peer transactions? 14 A. Because that was my understanding of what 15 the VeADIR was built for was peer-to-peer 16 transactions, without needing to go through an 17 exchange, so that individuals anywhere could trade 18 one thing for another directly without having to go 19 through an exchange. 20 Q. Did you have that understanding at the time 21 you purchased your veritokens? 22 A. I believe that there was a possibility of 23 that. I believe that's what it was -- I believe so, 24 yes. 25 Q. When you say the possibility of that, what</p> |
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| <p style="text-align: right;">Page 34</p> <p>1 do you mean?</p> <p>2 A. I don't know exactly. I remember everything</p> <p>3 that I remember was Reggie talking about it being a</p> <p>4 peer-to-peer platform, and to me peer-to-peer means</p> <p>5 you don't need an exchange, so I guess my answer</p> <p>6 would be yes, that's when I bought them and that's</p> <p>7 what I thought the possibility was.</p> <p>8 Q. If you could turn back to Defendant's</p> <p>9 Exhibit 4, I think it's the one Mr. Kornblau had</p> <p>10 marked but did not ask you about. Front page reads</p> <p>11 "terms and conditions of the Veritas sale."</p> <p>12 A. Okay.</p> <p>13 Q. If you turn to page 8 of that document.</p> <p>14 Midway down that page there's a header that says:</p> <p>15 "Certain risks associated with the purchase of</p> <p>16 Veritas."</p> <p>17 Do you see that header, sir?</p> <p>18 A. Yes.</p> <p>19 Q. The second paragraph in that, in that</p> <p>20 section reads: "Veritaseum plans to make Veritas</p> <p>21 available to trade on exchanges that support ERC20</p> <p>22 token standard. Such trades, liquidity,</p> <p>23 availability and general operation are out of</p> <p>24 control of Veritaseum and Veritaseum bears no</p> <p>25 responsibility nor association with such exchanges,</p> | <p style="text-align: right;">Page 36</p> <p style="text-align: center;">CERTIFICATE OF DEPONENT</p> <p>1</p> <p>2</p> <p>3 I have read the foregoing transcript of</p> <p>4 my deposition and except for any corrections or</p> <p>5 changes noted on the errata sheet, I hereby</p> <p>6 subscribe to the transcript as an accurate record</p> <p>7 of the statements made by me.</p> <p>8</p> <p>9</p> <p>10</p> <p style="text-align: center;">MICHAEL DAVID MIDDLETON</p> <p>11</p> <p>12 SUBSCRIBED AND SWORN before and to me</p> <p>13 this ____ day of _____, 20__.</p> <p>14</p> <p>15</p> <p style="text-align: center;">NOTARY PUBLIC</p> <p>16</p> <p>17</p> <p>18</p> <p>19</p> <p>20 My Commission expires:</p> <p>21</p> <p>22</p> <p>23</p> <p>24</p> <p>25</p> |
| <p style="text-align: right;">Page 35</p> <p>1 nor the activity conducted upon it."</p> <p>2 Do you see that?</p> <p>3 A. I do.</p> <p>4 Q. At the time you purchased the veritoken,</p> <p>5 did you have an understanding of whether they would</p> <p>6 be traded on exchanges?</p> <p>7 A. To be frank, I had limited understanding of</p> <p>8 exchanges at that time. I had only purchased bitcoin</p> <p>9 and I didn't really know what exchanges were. I was</p> <p>10 just being introduced to exchanges, so I didn't</p> <p>11 really have a good understanding of what an exchange</p> <p>12 was.</p> <p>13 Q. At the time you purchased your Veritaseum,</p> <p>14 how did you set the price of the purchase?</p> <p>15 A. I believe it was set by the value on</p> <p>16 etherdelta, which is the exchange.</p> <p>17 Q. Mr. Middleton, going back to just to</p> <p>18 cover -- withdrawn. One second.</p> <p>19 We have no further questions.</p> <p>20 MR. KORNBLAU: Michael, thank you very</p> <p>21 much. Much appreciated for taking time out on a</p> <p>22 Saturday to help us. This deposition is concluded.</p> <p>23 (The deposition was concluded at 12:40 p.m.)</p> <p>24</p> <p>25</p> | <p style="text-align: right;">Page 37</p> <p>1 I, GINA M. CLOUD, a certified shorthand</p> <p>2 reporter for the State of California, do hereby</p> <p>3 certify:</p> <p>4 that prior to being examined, the</p> <p>5 witness named in the foregoing deposition, was by me</p> <p>6 duly sworn to testify the truth, the whole truth,</p> <p>7 and nothing but the truth pursuant to Section No.</p> <p>8 2093 of the Code of Civil Procedure;</p> <p>9 That said deposition was taken before</p> <p>10 me pursuant to notice, at the time and place therein</p> <p>11 set forth, and was taken down by me in shorthand and</p> <p>12 thereafter reduced to typewriting via computer-aided</p> <p>13 transcription under my direction;</p> <p>14 I further certify that I am neither</p> <p>15 counsel for, nor related to, any party to said</p> <p>16 action, nor in anywise interested in the outcome</p> <p>17 thereof.</p> <p>18 IN WITNESS WHEREOF, I have hereunto</p> <p>19 subscribed my name this 25th day of August, 20019.</p> <p>20</p> <p>21</p> <p>22</p> <p>23</p> <p style="text-align: right;">GINA M. CLOUD</p> <p style="text-align: right;">CSR No. 6315</p> <p>24</p> <p>25</p> |

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| 2 | VERITEXT LEGAL SOLUTIONS |
| 3 | 330 OLD COUNTRY ROAD |
| 4 | MINEOLA, NEW YORK 11501 |
| 5 | 516-608-2400 |
| 6 | NAME OF CASE: SEC VS. MIDDLETON |
| 7 | DATE OF DEPOSITION: AUGUST 25, 2019 |
| 8 | NAME OF DEPONENT: MICHAEL DAVID MIDDLETON |
| 9 | PAGE LINE(S) CHANGE REASON |
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| 11 | |
| 12 | |
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| 17 | |
| 18 | |
| 19 | |
| 20 | |
| 21 | |
| 22 | MICHAEL DAVID MIDDLETON |
| 23 | SUBSCRIBED AND SWORN TO BEFORE ME |
| 24 | THIS DAY OF , 20. |
| 25 | (NOTARY PUBLIC) MY COMMISSION EXPIRES: |

[& - axonal]

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Federal Rules of Civil Procedure

Rule 30

(e) Review By the Witness; Changes.

(1) Review; Statement of Changes. On request by the deponent or a party before the deposition is completed, the deponent must be allowed 30 days after being notified by the officer that the transcript or recording is available in which:

(A) to review the transcript or recording; and
(B) if there are changes in form or substance, to sign a statement listing the changes and the reasons for making them.

(2) Changes Indicated in the Officer's Certificate. The officer must note in the certificate prescribed by Rule 30(f)(1) whether a review was requested and, if so, must attach any changes the deponent makes during the 30-day period.

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