

AMON, J.
REYES, M.J.

UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF NEW YORK

CV 19 - 4625

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SECURITIES AND EXCHANGE COMMISSION,

Plaintiff,

- against -

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

Defendants,
-----X

19 Civ.

ECF Case

FILED
IN CLERK'S OFFICE
U.S. DISTRICT COURT E.D.N.Y.

★ AUG 12 2019 ★

BROOKLYN OFFICE

**[PROPOSED] TEMPORARY RESTRAINING ORDER FREEZING ASSETS,
REQUIRING DEFENDANTS TO SHOW CAUSE, AND GRANTING OTHER RELIEF**

Plaintiff Securities and Exchange Commission (the “Commission”) has made an application for a Temporary Restraining Order Freezing Assets, Requiring Defendants to Show Cause, and Granting Other Relief (“Application”), as follows:

(1) For an order directing Defendants Reginald (“Reggie”) Middleton (“Middleton”), Veritaseum, Inc., and Veritaseum, LLC (“Veritaseum,” together with Middleton, “Defendants”) to show cause why an order should not be entered, pending final disposition of this action:

- (a) Freezing Defendants’ assets, including but not limited to the accounts and blockchain addresses set forth in Schedule A to this Order;
- (b) appointing a qualified, third-party intermediary, whom Defendants can propose and who is not unacceptable to Commission staff (the “Independent Intermediary”), and providing that:

- i. within twenty-four (24) hours after receiving a blockchain address specified by the Independent Intermediary, Defendants transfer all digital assets in their possession or control to such blockchain address;
 - ii. Defendants cooperate fully with the Independent Intermediary, as reasonably required for the transfer of digital assets specified in (i) above; and
 - iii. the Independent Intermediary certify in writing, within five (5) days after receiving the digital assets, that he or she has provided a blockchain address to Defendants; that Defendants have transferred the digital assets in their possession or control to that address, as specified in (i) above; a written description of the digital assets (by at least name and amount) transferred by Defendants; and that the digital assets will be securely held in escrow pending further direction by the Court; and
 - (c) Prohibiting Defendants from destroying, altering, or concealing documents in their possession, custody, or control, including documents concerning the allegations in the Complaint or Defendants' assets or finances;
- (2) Pending adjudication of the relief described in paragraph (1) above, an order:
- (a) Temporarily freezing Defendants' assets, including but not limited to the accounts and blockchain addresses set forth in Schedule A to this Order;
 - (b) Temporarily prohibiting Defendants from destroying, altering, or concealing documents in their possession, custody, or control, including documents concerning the allegations in the Complaint or Defendants' assets or finances;
 - (c) appointing the Independent Intermediary and providing that:

- i. within twenty-four (24) hours after receiving a blockchain address specified by the Independent Intermediary, Defendants transfer all digital assets in their possession or control to such blockchain address;
 - ii. Defendants cooperate fully with the Independent Intermediary, as reasonably required for the transfer of digital assets specified in (i) above; and
 - iii. the Independent Intermediary certify in writing, within five (5) days after receiving the digital assets, that he or she has provided a blockchain address to Defendants; that Defendants have transferred the digital assets in their possession or control to that address, as specified in (i) above; a written description of the digital assets (by at least name and amount) transferred by Defendants; and that the digital assets will be securely held in escrow pending further direction by the Court; and
- (d) Authorizing the Commission to obtain expedited discovery concerning Defendants' assets, including any assets transferred from Defendants to non-party recipients, and service by alternative means.

The Court has considered: (1) the Commission's Complaint; (2) the Local Rule 6.1 Declaration of Jorge G. Tenreiro executed on August 12, 2019; (3) the Declarations of Victor Suthammanont, Roseanne Daniello, and Patrick Doody, executed on August 12, 2019, and the exhibits thereto; and (4) the Commission's Memorandum of Law in Support of Its Application for a Temporary Restraining Order Freezing Assets, Requiring Defendants to Show Cause, and Granting Other Relief.

Based on the foregoing documents, the Court finds that a proper showing, as required by Section 20(b) of the Securities Act of 1933 (“Securities Act”) [15 U.S.C. § 77t(b)], Section 21(d) of the Securities Exchange Act of 1934 (“Exchange Act”) [15 U.S.C. § 78u(d)], and Rule 65 of the Federal Rules of Civil Procedure, has been made for the relief granted herein, for the following reasons:

1. It appears from the evidence presented that the Commission has shown a likelihood of success on the merits of its claims—or at least that an inference can be drawn—that Defendants have violated Sections 5(a), 5(c), and 17(a) of the Securities Act [15 U.S.C. §§ 77e(a), 77e(c), 77q(a)], and Section 10(b) of the Exchange Act [15 U.S.C. §§ 78j(b)], and Rule 10b-5 thereunder [15 C.F.R. § 240.10b-5], and that Middleton has violated Section 9(a)(2) of the Exchange Act [15 U.S.C. § 78i(a)(2)], by defrauding investors of millions of dollars in the unlawful unregistered offer and sale of digital asset securities known as “VERI Tokens” based on material misrepresentations, among other things, about Defendants’ business prospects, amount of VERI Tokens sold, Defendants’ use of VERI Tokens investors’ assets and use of proceeds, and by engaging in manipulative trades in VERI Tokens, as alleged in the Complaint.

2. It appears that an order freezing Defendants’ assets, as specified herein, is necessary to preserve the *status quo* and to protect the Court’s ability to award relief in the form of disgorgement of ill-gotten gains, prejudgment interest, and civil penalties.

3. It appears that an order prohibiting Defendants from destroying, altering, or concealing records of any kind, including documents concerning the allegations in the Complaint or the assets, finances, or business operations of Defendants, is necessary to ensure compliance with the asset freeze imposed on Defendants and to protect the integrity of this litigation.

4. It appears that an order appointing an Independent Intermediary, providing that Defendants transfer all digital assets in their possession or control to a blockchain address directed by the Independent Intermediary within twenty-four (24) hours of receiving such address from the Independent Intermediary; that the Defendants cooperate fully with the Independent Intermediary, as reasonably required for the transfer of digital assets as described above; and that the Independent Intermediary certify in writing, within five (5) days after receiving the digital assets, that the Independent Intermediary has provided to Defendants a blockchain address; that Defendants have transferred the digital assets as described above; a description of the transferred assets (at a minimum by type and amount); and that the digital assets will be securely held in escrow pending further direction by the Court, may be necessary to effectuate and ensure compliance with such asset freeze, to protect against further dissipation of assets that could threaten a full recovery on the Commission's claims, and to insure that the *status quo* is maintained.

5. It appears that an order permitting the Commission to obtain expedited discovery concerning Defendants' assets, including any assets transferred from Defendants to non-party recipients, is necessary to enable the Commission to locate any additional assets subject to the asset freeze and to ensure compliance with the asset freeze imposed on Defendants.

6. Good and sufficient reasons have been shown why a procedure other than by notice of motion is necessary.

7. This Court has jurisdiction over the subject matter of this action and over Defendants, and venue properly lies in this District.

NOW, THEREFORE,

I.

IT IS HEREBY ORDERED that Defendants show cause to this Court at 2:00 p.m. on the 22nd day of August, 2019, in Room 4FN of the United States Courthouse, 225 Cadman Plaza East, Brooklyn, New York 11201, why this Court should not enter an Order pursuant to Rule 65 of the Federal Rules of Civil Procedure, directing that, pending a final disposition of this action, Defendants—and each of their financial and brokerage institutions, agents, servants, employees, and attorneys, and those persons in active concert or participation with them who receive actual notice of such Order by personal service, facsimile service, telephonic notice, email notice, any other means permitted in Section VIII of this Order, or otherwise, and each of them—hold and retain within their control and otherwise prevent any withdrawal, transfer, pledge, encumbrance, assignment, dissipation, concealment or other disposal (including the use of any credit cards or any other incurring of debt) of any assets, funds, or other property (including money, virtual currency or other digital asset, real or personal property, tangible assets, securities, commodities, choses in action or other property of any kind whatsoever, in whatever form such assets may presently exist and wherever located) of, held by, or under the control of Defendants, whether held in their name or for their direct or indirect beneficial interest, and directing each of the financial or brokerage institutions, debtors and bailees, or any other person or entity holding such assets, funds or other property of Defendants to hold or retain within its or his control and prohibit the withdrawal, removal, transfer or other disposal of any such assets, funds or other properties, including without limitation all assets, funds, or other properties held in Defendants' name, held by Defendants, or under Defendants'

control, including but not limited to the assets listed on Schedule A, except as required by such an order under Section II below.

II.

IT IS FURTHER ORDERED that Defendants show cause at that time why this Court should not also enter an Order, pending the final dispositions of this action, providing that an Independent Intermediary be appointed, and further providing that:

- (1) Defendants transfer all digital assets in their possession or control to a blockchain address directed by the Independent Intermediary;
- (2) Defendants cooperate fully with the Independent Intermediary, for the transfer of digital assets specified in (1) above; and
- (3) the Independent Intermediary certify in writing, within five (5) days after receiving the digital assets, that he or she has provided a blockchain address to Defendants; that Defendants have transferred the digital assets in their possession or control to that address, as specified in (1) above; a written description of the digital assets (by at least name and amount) transferred by Defendants; and that the digital assets will be securely held in escrow pending further direction by the Court.

III.

IT IS FURTHER ORDERED that Defendants show cause at that time why this Court should not also enter an Order, pending the final disposition of this action, enjoining and restraining them, and any person or entity acting at the direction of or on behalf of either or both of them, from destroying, altering, or concealing all documents, books, and records that are in the possession, custody, or control of Defendants, their respective agents, servants, employees, and attorneys, and those persons in active concert or participation with them, including

documents that concern the allegations in the Complaint or Defendants' assets, finances, or business operations.

IV.

IT IS FURTHER ORDERED that, pending a hearing and determination of the Commission's Application, Defendants—and each of their financial and brokerage institutions, agents, servants, employees, and attorneys, and those persons in active concert or participation with them who receive actual notice of such Order by personal service, facsimile service, telephonic notice, email notice, any other means permitted in Section VIII of this Order, or otherwise, and each of them—hold and retain within their control and otherwise prevent any withdrawal, transfer, pledge, encumbrance, assignment, dissipation, concealment or other disposal (including the use of any credit cards or any other incurring of debt) of any assets, funds, or other property (including money, virtual currency or other digital asset, real or personal property, tangible assets, securities, commodities, choses in action or other property of any kind whatsoever, in whatever form such assets may presently exist and wherever located) of, held by, or under the control of Defendants, whether held in their name or for their direct or indirect beneficial interest, and directing each of the financial or brokerage institutions, debtors and bailees, or any other person or entity holding such assets, funds or other property of Defendants to hold or retain within its or his control and prohibit the withdrawal, removal, transfer or other disposal of any such assets, funds or other properties, including without limitation all assets, funds, or other properties held in Defendants' name, held by Defendants, or under Defendants' control, including but not limited to the assets listed on Schedule A, except as required by Section V of this Order.

V.

IT IS FURTHER ORDERED that, pending a hearing and a determination of the Commission's Application, an Independent Intermediary whom the Defendants shall propose to the Commission within forty-eight (48) hours of being served with this Order pursuant to the terms of notice set forth in Section VIII hereto, and who is not unacceptable to the Commission staff, is hereby appointed, and Defendants and the Independent Intermediary shall act as follows:

- (1) The Defendants shall:
 - (a) within twenty-four (24) hours after receiving a blockchain address from the Independent Intermediary transfer all digital assets in their possession or control to such blockchain address; and
 - (b) cooperate fully with the Independent Intermediary, as reasonably required for the transfer of digital assets specified in (a) above;
- (2) The Independent Intermediary shall certify in writing, within five (5) days after receiving the digital assets, that he or she has provided a blockchain address to Defendants; that Defendants have transferred the digital assets in their possession or control to that address, as specified in (1)(a) above; a written description of the digital assets (by at least name and amount) transferred by Defendants; and that the digital assets will be securely held in escrow pending further direction by the Court;
- (3) Defendants shall pay, upon approval by the Court as set forth below, the reasonable costs, fees, and expenses of the Independent Intermediary incurred in connection with the performance of the respective duties described herein, including, but not limited to, the reasonable costs, fees, and expenses of any digital asset services utilized by the Independent Intermediary to assist in carrying

out those duties. All applications for costs, fees, and expenses of the Independent Intermediary shall be made to the Court, with notice to Defendants and an opportunity to be heard, setting forth in reasonable detail the nature of such costs, fees, and expenses.

- (4) The Independent Intermediary and all persons who may be engaged or employed by the Independent Intermediary with the Court's approval to assist in carrying out the duties hereunder shall not be liable for any act or omission of the Independent Intermediary or such person, respectively, unless it shall be proven that the Independent Intermediary acted in bad faith or omitted to act.

VI.

IT IS FURTHER ORDERED that, pending a hearing and a determination of the Commission's Application, Defendants are enjoined and restrained, and any person or entity acting at the direction of or on behalf of either or both of them is enjoined and restrained, from destroying, altering, or concealing all documents, books, and records that are in the possession, custody, or control of Defendants, their respective agents, servants, employees, and attorneys, and those persons in active concert or participation with them, including documents that concern the allegations in the Complaint or Defendants' assets, finances, or business operations.

VII.

IT IS FURTHER ORDERED that, pending a determination of the Commission's Application, the Commission's application for expedited discovery concerning Defendants' assets, including any assets transferred to non-party recipients, is granted, and that, commencing with the time and date of this Order, in lieu of the time periods, notice provisions, and other requirements of Federal Rules of Civil Procedure 26, 30, 31, 33, 34, 36 and 45, and without the

requirement of a meeting pursuant to Federal Rule of Civil Procedure 26(f), and without regard to the limitations of Federal Rules of Civil Procedure 30(a)(2), 30(d), 31(a)(2), and 33(a)(1), discovery shall proceed as follows, and the Commission may serve any such discovery requests or notices on Defendants or their counsel by personal service, facsimile, email, overnight courier, or first-class mail.

Defendants shall be granted reasonable discovery on an expedited basis

A. Pursuant to Federal Rule of Civil Procedure 30(a), the Commission may take depositions upon oral examination on three days' notice of any such deposition. Depositions may be taken telephonically. As to Defendants and their officers, employees, and attorneys, the Commission may depose such witnesses after serving a deposition notice by email upon such Defendants' attorney, and without serving a subpoena on such witness. Depositions that have not been signed by the witness may be used for purposes of the hearing on the Commission's application for a preliminary injunction;

and Defendants

B. Pursuant to Federal Rule of Civil Procedure 33(a), the Defendants, and each of them, shall answer the Commission's interrogatories within three days of service of such interrogatories upon Defendants;

C. Pursuant to Federal Rule of Civil Procedure 34(b), the Defendants, and each of them, shall produce all documents requested by the Commission within three days of service of such request, with production of the documents made to the New York Regional Office of the Commission, 200 Vesey Street, Suite 400, New York, N.Y. 10281, Attn: Jorge G. Tenreiro, tenreiroj@sec.gov, or such other place as counsel for the Commission may direct in writing; and

D. All written responses to the Commission's requests for discovery under the Federal Rules of Civil Procedure shall be delivered by hand, overnight courier, or email to the New York Regional Office of the Commission, 200 Vesey Street, Suite 400, New York, N.Y.

10281, Attn: Jorge G. Tenreiro, tenreiroj@sec.gov, or such other place as counsel for the Commission may direct in writing.

VIII.

IT IS FURTHER ORDERED that a copy of this Order and the papers supporting the Commission's Application be served upon Defendants (or their attorney who agrees to accept service on their behalf) on or before August 14, 2019, by personal delivery, facsimile, overnight courier, international express mail, first-class mail, including to Defendants' attorney, David Kornblau, Covington & Burling, LLP, 620 Eighth Avenue, New York, NY 10018-1405, and may be served at any time by any of the same means upon any bank, savings and loan institution, credit union, financial institution, transfer agent, broker-dealer, investment company, asset custodian, digital asset exchange, title company, commodity trading company, storage company, or any other person, partnership, corporations, or legal entity that may be subject to any provision of this Order. For purposes of notice to anyone in possession of documents, records, assets, funds, property, or property rights subject to this Order, actual notice of this Order shall be deemed complete upon notification by any means, including, but not limited to, notice from distribution by facsimile transmission or electronic mail.

IX.

IT IS FURTHER ORDERED that Defendants shall file and deliver any opposing papers in response to the Order to Show Cause no later than August 16, 2019, at 5:00 p.m. Service shall be made by that date and time by emailing the papers to tenreiroj@sec.gov and receiving a reply email confirming receipt or by sending the papers by overnight courier service to the New York Regional Office of the Commission at Brookfield Place, 200 Vesey Street, Suite 400, New York, New York 10281, Attn: Jorge G. Tenreiro, or such other place as counsel

for the Commission may direct in writing. The Commission shall have until August 19, 2019, at 5:00 p.m., to file and serve, by the most expeditious means available, any reply papers upon Defendants or their counsel, if counsel shall have made an appearance in this action.

X.

IT IS FURTHER ORDERED that, as provided in Federal Rule of Civil Procedure 65(d)(2), this Order shall be, and is, binding upon Defendants and each of their agents, servants, employees, and attorneys, and those persons in active concert or participation with them who receive actual notice of this Order by personal service, facsimile, email, overnight courier, or otherwise.

s/LaShann DeArcy Hall

UNITED STATES DISTRICT JUDGE

Issued at:

6:10 p.m.
August 12, 2019
Brooklyn, New York

Schedule A

FINANCIAL INSTITUTION	NAME OF ACCOUNT	ACCOUNT NUMBER (Last 4 Digits) OR IDENTIFYING INFORMATION
Bank of America	Middleton, Reginald	XXXXXX3904
Bank of America	Middleton, Reginald	XXXXXX3917
Bank of America	Veritaseum Holdings	XXXXXX1142
Bank of America	Veritaseum Assets LLC	XXXXXX1786
Citibank	221 Washington Avenue LLC	XXX1498
Citibank	281 Cumberland Street LLC	XXX1711
Citibank	Lefferts Place LLC	XXX1404
Citibank	Middleton, Reginald	XXX1630
Citibank	Reggie Middleton LLC	XXX1201
Citibank	Veritaseum Inc.	XXXXXX4865
Citibank	Veritaseum LLC	XXXXXX2142
JPMC	Middleton, Reginald	XXXXXX7843
JPMC	Veritaseum LLC	XXXXXX5610
Kraken	Veritaseum, LLC	XXXXXX5A7Q
Gemini		Account ID ending in 5247
Coinbase		User IDs ending in 00e3c & 00053a
Ethereum Blockchain Address		0x2cc2720ec4263ca730e6209348673665939c29e2
Ethereum Blockchain Address		0x599a4b8188676224d4c9b393b947e332b60b15e3
Ethereum Blockchain Address		0x82c48875c17ee5812f909a9d75c0f64f7a8719fe

Ethereum Blockchain Address		0x7dad3795a4681cd34c673abbdde0257c3be7f231
Ethereum Blockchain Address		0x47afae2eb056630dbde374cc7e79c69d9120c372
Ethereum Blockchain Address		0xae0a7e45db38bb72eaa95a390161e954458896d
Ethereum Blockchain Address		0xf278b6c5c89866af3c2cd5426d0e095225c86890
Ethereum Blockchain Address		0xfa436023ee356caef2fb9184222e650c55d0ae1
Ethereum Blockchain Address		0xfb9063ad5e9fa8eb91a1e1cd71cbdf6d765ecaff
Ethereum Blockchain Address		0x67bb19d5a4f1b9939178d92a09d62444e4a76438
Ethereum Blockchain Address		0xd2b87eb4418f07fe2c65800ee0db995e8caef3b3
Ethereum Blockchain Address		0xeeaf0b2dbbf6d0a7de0e0668a1c97ba7f3098840
Ethereum Blockchain Address		0x3f6caf49da88ca2452b1f8ad5b710db7141e48a8
Ethereum Blockchain Address		0x2483b897720a1ff105675ba04f6e1c46cd903ec2
Ethereum Blockchain Address		0x67bb19d5a4f1b9939178d92a09d62444e4a76438