

SUPREME COURT OF THE STATE OF NEW YORK  
COUNTY OF NEW YORK

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CHARLES HALL, INDIVIDUALLY AND DERIVATIVELY ON  
BEHALF OF VERITASEUM, INC.,

**Index No.:**

Plaintiff,

-against-

**VERIFIED COMPLAINT**

REGGIE MIDDLETON, VERITASEUM, LLC,  
VERITASEUM SECURITIES LLC, VERITASEUM  
ASSETS LLC and VERITASEUM HOLDINGS LLC;

Defendants.

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Plaintiff Charles Hall (“Hall” or “Plaintiff”), on behalf of himself and derivatively on behalf of Veritaseum, Inc., by his attorneys, Ford, Marrin, Esposito, Witmeyer & Gleser, LLP, alleges as and for a Verified Complaint against Defendants Reggie Middleton (“Middleton”) and Veritaseum, LLC, Veritaseum Securities LLC, Veritaseum Assets LLC, and Veritaseum Holdings, LLC (collectively the “Veritaseum Enterprise” or “Defendants”):

**NATURE OF ACTION**

1. Middleton has breached his fiduciary duties to Hall and Veritaseum, Inc., by *inter alia*, misappropriating the assets of Veritaseum, Inc., including its intellectual property, for his personal benefit and the benefit of the Veritaseum Enterprise, which consists of alter ego defendants Veritaseum, LLC, Veritaseum Securities, LLC, Veritaseum Assets, LLC and Veritaseum Holdings, LLC.

2. Middleton has also breached an agreement between Hall and Middleton through which the parties agreed to exchange Hall’s ownership interest in Veritaseum, Inc. for

cryptocurrency “coins” issued by Middleton’s nascent Veritaseum Enterprise. Middleton’s breach has resulted in millions of dollars in damages to Hall.

3. Based on the foregoing, Hall individually and derivatively brings this action for an accounting and damages stemming from Middleton’s breaches of fiduciary duties, breach of contract, unjust enrichment, and violation of New York Business Corporation Laws.

### **THE PARTIES**

1. Plaintiff Charles Wellington Hall is an individual residing at 8171 East Juan Tabo Road, Scottsdale, Arizona 85255.

2. Veritaseum, Inc. is a corporation organized under the laws of the State of New York with a principal place of business at 460 Broadway, New York, NY 10036.

3. Defendant Reggie Middleton is a New York resident and, upon information and belief, is Chief Executive Officer of Veritaseum, Inc. and Co-Chief Executive Officer of Veritaseum Securities, LLC, and has exercised dominion and control over the Veritaseum Enterprise.

4. Alter Ego Defendant Veritaseum, LLC is a limited liability company organized and existing under the law of the State of Delaware with a principal place of business at 460 Broadway, New York, NY 10036.

5. Alter Ego Defendant Veritaseum Securities, LLC is a limited liability company organized and existing under the laws of the State of Delaware with a principal place of business at 460 Broadway, New York, NY 10036.

6. Alter Ego Defendant Veritaseum Holdings, LLC is a limited liability company organized and existing under the laws of the State of Delaware with a principal place of business at 460 Broadway, New York, NY 10036.

7. Alter Ego Defendant Veritaseum Assets, LLC is a limited liability company organized and existing under the laws of the state of Delaware. with a principal place of business at 460 Broadway, New York, NY 10036

### **JURISDICTION AND VENUE**

8. Jurisdiction exists over Defendants pursuant to CPLR 301, as well as other statutory, constitutional, and common law bases.

9. This Court has personal jurisdiction over Middleton and has personal jurisdiction over defendants Veritaseum, I.I.C, Veritaseum Securities, LLC, Veritaseum Assets, LLC, and Veritaseum Holdings, LLC because they are mere alter egos of Middleton.

### **FACTUAL BACKGROUND**

#### **Hall Relies on Middleton's Representations and Invests in Veritaseum, Inc.**

10. Veritaseum, Inc. is a financial technology company that utilizes blockchain-based markets to enable transactions between individuals.

11. In or around May 2014, Hall and Veritaseum, Inc.'s President and CEO, Middleton, began discussions in relation to Hall's possible investment in Veritaseum, Inc..

12. During these discussions Middleton, on Veritaseum, Inc.'s behalf, made material representations to Hall in an effort to entice Hall to invest in Veritaseum.

13. Middleton made material misrepresentations regarding Veritaseum, Inc.'s patent applications and such applications' priority dates.

14. Specifically, Middleton represented that Veritaseum, Inc. had patentable, proprietary technology with priority ahead of global investment banks with respect to using block chain technology and cryptocurrencies (including Bitcoin) for the execution of smart contracts. Middleton referred to this technology as "Zero Trust Smart Contracts." Middleton

further represented that the available market for Veritaseum, Inc. to exploit was over 225 trillion dollars. Middleton represented that Veritaseum would be launching a beta version of its technology soon and would also begin generating revenue.

15. Middleton also made material representations regarding the identity of other investors in Veritaseum, Inc. and the amounts of their investments in Veritaseum, Inc.

16. Specifically, during a phone call with Hall, Middleton represented that one of Veritaseum, Inc.'s early investors was the Canadian Lear family, and that Hall had the opportunity to invest ahead of the Lears at a low price, but only if he acted quickly and sent funds immediately.

17. Hall relied upon Middleton's representations in deciding to make an investment in Veritaseum, Inc. On May 12, 2014, Hall invested \$40,000.00 in exchange for 2,051 shares of Series B Common Veritaseum, Inc. Stock.

18. On May 27, 2014, Hall invested an additional \$24,963.08 in exchange for an additional 332 shares of Series B Common Veritaseum, Inc. Stock.

19. As set forth below, Hall's investment was used to fund and develop all of Veritaseum, Inc.'s intellectual property, implement Veritaseum, Inc.'s designs, and fund patent filings (both domestically and internationally) that were essential to Veritaseum, Inc.'s business.

#### **Veritaseum, Inc. Owns Valuable Intellectual Property**

20. On May 9, 2014 Veritaseum, Inc., Middleton and Veritaseum, Inc.'s Chief Technology Officer Matthew Bogosian ("Bogosian") filed provisional patent application No. 61/990,795 for Devices, Systems, and Methods for Facilitating Low Trust and Zero Trust Value Transfers.

21. On May 5, 2015, Veritaseum, Inc. filed an international patent application under the Patent Cooperation Treaty (PCT), PCT/US15/29196, for Devices, Systems, and Methods for Facilitating Low Trust and Zero Trust Value Transfers. This application was subsequently published on November 12, 2015 as WO 2015/171580A1. This application has a priority date of May 9, 2014 as it relates back to Veritaseum, Inc.'s provisional patent application 61/990,795 that was filed with the USPTO.

22. On May 5, 2015, Veritaseum, Inc. filed patent application US15/309,612 for Devices, Systems, and Methods for Facilitating Low Trust and Zero Trust Value Transfers with the USPTO. This application claimed priority to U.S. provisional application 61/990,795 filed on May 9, 2014.

23. On June 29, 2017, the USPTO published Veritaseum, Inc.'s patent application for Devices, Systems and Methods for Facilitating Low Trust and Zero Trust Value Transfers as US 2017/0187535A1.

24. Veritaseum, Inc.'s patent applications pertain to systems and methods that enable parties with little or no pre-existing relationship to enter into and enforce agreements conditioned on input from or participation of a third party, over arbitrary distances, without special technical knowledge of the underlying transfer mechanisms.

25. Critically, Veritaseum, Inc.'s systems and methods allow parties to conduct exchanges reliably without involving costly third-party intermediaries who traditionally may otherwise be required, and without traditional counterparty risk. For instance, third-party intermediaries that facilitate trading of financial instruments (such as stocks, bonds, options, futures, swaps, and currencies) typically impose costs to trade with counterparties. Additionally, parties have also utilized mechanisms such as obtaining letters of credit from trusted financial

institutions as a way to mitigate risk. However, fees charged by banks for letters of credit are substantial.

26. Decentralized digital currencies (aka “cryptocurrencies”) have enabled parties to transfer assets with little or no dependence on third party intermediaries. Several popular cryptocurrencies, such as Bitcoin, operate by maintaining a ledger (frequently referred to as “block chain”) of all transactions that have been validated by network participants.

27. Veritaseum, Inc.’s patent applications set forth two specific embodiments that enable two forms of value transfer: letters of credit and arbitrary swaps. The applications set forth multiple illustrative examples of how Veritaseum, Inc.’s method and process can be implemented using Bitcoin (or similar cryptocurrencies) and block chain technology.

28. According to Middleton, Veritaseum, Inc. was the first company to conceptualize and develop a model for the use of block chain technology for smart contracts. A smart contract is a set of coded computer functions that commonly incorporate elements of a binding contract (e.g., offer, acceptance, and consideration), or may simply execute certain terms of a contract. This allows self-executing computer code to take actions at specified times and/or based on reference to the occurrence or non-occurrence of an action or events (e.g., delivery of an asset, weather conditions).

29. According to Middleton, Veritaseum, Inc. was the first company to file patent applications for the use of block chain technology for smart contracts.

30. According to Middleton, Veritaseum, Inc. was the first company to develop a capital markets application of block chain technology.

31. On October 20, 2016, Middleton emailed Hall and wrote “[w]e are still way ahead of the pack in terms of priority date, and these applications appear to be more and more valuable

(if patents are issued) as more and more banks and financial institutions scramble to file their own blockchain patents.”

32. On February 13, 2017, Middleton again emailed Hall and stated that “[w]e have have[sic] recently finished the final filing of our international patents (US, EU, UK, China and Japan—all had to be done separately, unfortunately), and are awaiting responses. Each filing was done slightly differently, and we have had some push back from the US (which I believe we can handle), but will not be able to prosecute it until they get back to us with an official response. Thus far, all of the other filings are looking good. We have a priority date of May 2014, which is earlier than any other related applications that we or our counsel know of. We feel this is very, very positive, as it predates all the major banks and all the major tech companies we were able to identify.”

33. Hall has remained a shareholder in Veritaseum, Inc. since his first investment in the company to the date of the filing of this Complaint.

**Middleton Abandons Veritaseum, Inc. and Reaches Agreement With Hall**

34. In 2017 and 2018, unbeknownst to Hall, Middleton formed several additional entities using the Veritaseum moniker: Veritaseum, LLC; Veritaseum Assets, LLC; Veritaseum Holdings, LLC; and Veritaseum Securities, LLC.

- a. Veritaseum, LLC was formed under the laws of Delaware on April 20, 2017.
- b. Veritaseum Assets, LLC was formed under the laws of Delaware on August 3, 2018.
- c. Veritaseum Holdings, LLC was formed under the laws of Delaware on April 30, 2018.

d. Veritaseum Securities, LLC was formed under the laws of Delaware on March 27, 2018.

35. Since his initial investment, Hall has repeatedly requested information from Middleton regarding Veritaseum, Inc.'s business plan, status, assets, value, and its relation to other business ventures affiliated with and/or promoted by Middleton.

36. On April 21, 2017, Hall unexpectedly discovered on the internet that "Veritaseum" was offering tokens for sale. Hall then immediately emailed Middleton about what he had seen, and Middleton responded that Veritaseum, Inc. was making a "Token Offering." Hall then asked, "How will this affect equity owners in Veritaseum like me? Dilution?" Middleton then replied, "None. It is a software token sale."

37. In May 2017, Hall visited Middleton in New York, and Middleton told Hall that Veritaseum, Inc. would not be the issuing entity of the Veritaseum tokens or coins known as "Veri". Middleton also told Hall that he could swap his equity in Veritaseum, Inc. for "Veri."

38. On June 19, 2017, Middleton touted the success of the new Veritaseum business and advised Hall that the Veritaseum token had "increased in value 100x and is one of the top assets in the industry." In response, Hall asked, "So where does that put me and my investment?" Middleton replied, "They are not related. If you wish, I can cash you out of your investment by swapping the equity for the tokens."

39. Troubled by Middleton's response, Hall then wrote to Middleton on June 20, 2017 and asked "Please explain why Veritaseum and Veritaseum shareholders are not direct owners &/or participating in your continued involvement and participation in cryptocurrencies, including the issuance of 'Veri', evidently a core part of Veritaseum as it clearly uses the Veritaseum name and when the publicity even mentions the Veritaseum patents filed?" Hall also



asked Middleton, “what entity owns and issues the Veris and what is current ownership of this entity?”

40. Middleton refused to provide answers to Hall’s question but instead wrote, “[t]here are a lot of technical vagaries to get into but long story short is that I did what I could to keep the venture afloat after I ran out of money and couldn’t get investors to give more cash. If you want to swap in for tokens, I’ll [sic] do that for you at a rate that is deep in the money, okay.”

41. Hall then advised Middleton that Middleton had not answered his questions and that he needed Middleton to address this issue as soon as possible. In response, Middleton again reiterated that he would swap Hall’s equity in Veritaseum, Inc. on a dollar for dollar basis at the average retail price of the tokens at the offering sale, which was between \$5 and \$6 dollars.

42. Again, on June 30, 2017, Hall pressed Middleton for answers regarding the ownership structure of the Veritaseum Enterprise and how it related to the “Veri” token. Finally, Middleton replied that, “Veritaseum shareholders are involved in cryptocurrencies,” but that “Veritaseum, Inc. does not own the 4<sup>th</sup> series of the tokens” and that he would “prefer not to discuss who does own them.” Middleton added that “Veritaseum, Inc. ran out of money and withered.” Middleton then reiterated his offer for a swap of Hall’s equity for the “Veri” tokens.

43. On July 13, 2017, Hall emailed Middleton and accepted his offer to swap his equity in Veritaseum, Inc. for the average retail price at the token offering, and advised that he was able to open a wallet for the purpose of accepting the Veri token.

44. Later that day, Middleton confirmed that the price of the token would be “about \$7.70” and that would put Hall “\$1.2M in the black.” Middleton told Hall he was going to direct his developers to create a smart contract that immediately vested 10% so that Hall could not dump all of the tokens into the market at one time.

45. Despite Middleton's confirmation, Hall never received the tokens.

46. Throughout August and September 2017, Hall repeatedly followed up with Middleton, but Middleton refused to execute the swap.

47. Middleton never executed the agreed-upon swap with Hall and breached the agreement.

**Hall's Shareholder Books and Records Action Confirms that Middleton has Misappropriated the Assets of Veritaseum, Inc. For Use by the Veritaseum Enterprise**

48. On or about November 16, 2018, Hall served Veritaseum, Inc. with his demand for access to the company's books and records pursuant to New York Bus. Corp. L. § 624.

49. Hall requested the books and records for appropriate shareholder purposes, including, but not limited to i) ascertaining the financial condition of Veritaseum, Inc.; ii) ascertaining the current disposition of Veritaseum, Inc.'s intellectual property; iii) ascertaining the value of stock, and; iv) ascertaining management's conduct and whether or not such conduct breached management's fiduciary duty.

50. Counsel for Veritaseum, Inc. refused to provide the requested corporate books and records and informed counsel for Hall that it had ceased business operations.

51. On February 20, 2019, Hall initiated an action against Veritaseum, Inc. pursuant to Bus. Corp. L. § 624 and common law for the production of its corporate books and records, including records related to its financial condition and records related to its intellectual property (the "Shareholder Books and Records Action").

52. In response to the Shareholder Books and Records Action, Veritaseum, Inc. produced limited financial statements, shareholder subscription agreements, and documents related to Veritaseum, Inc.'s patent applications.

53. Veritaseum, Inc.'s limited financial statements have confirmed that its intellectual property, including its patents, trade secrets, and other know-how, is its primary asset.

54. Veritaseum, Inc. did not provide meeting minutes for meetings of its Board of Directors and stated that none exist.

55. Veritaseum, Inc. did not provide any shareholder meeting minutes and stated that none exist.

56. Veritaseum, Inc. did not provide any documents related to the sale, transfer, or licensing of Veritaseum, Inc.'s intellectual property. Veritaseum, Inc. stated that no such documentation exists. Veritaseum, Inc. further advised that there are no documents related to any other person or entity that uses Veritaseum, Inc.'s intellectual property or provides royalty payments to Veritaseum, Inc.

57. Veritaseum, Inc. has failed to adequately maintain corporate formalities under New York law.

58. Middleton has misappropriated the assets of Veritaseum, Inc., including, but not limited to, Veritaseum, Inc.'s intellectual property, to be used by Middleton's other business interests, such as the Veritaseum Enterprise, to the detriment of Hall's (and all shareholders in Veritaseum, Inc.'s) rights and interests in Veritaseum, Inc.

59. Indeed, Veritaseum, Inc.'s website continues to assert that Veritaseum, Inc. and/or its affiliated entities "builds blockchain-based, peer-to-peer capital markets as software on a global scale" and enables "the seamless connection of parties and assets without the need for a third or authoritarian interest." Further, the webpage offers various services and/or products, including "VeRent," "VeExposure," and "VeTokenization."

60. The Veritaseum Enterprise is improperly using the technology developed by Veritaseum, Inc. The Veritaseum Enterprise “uses blockchain technology, smart contracts and distributed computing to aid industries suffering from high economic rents, undue friction and gross inefficiencies.” The Veritaseum Enterprise is “a vendor of (smart) contracts that enable the condition transfer of value” and “[a]ccess to our smart contracts are gained through the purchase of Veritas (“Veri”), the software token that represents prepaid fees for Veritaseum products and services. Through the possession of “Veri”, one can access and use our financial machines. Financial machines are multiple, chain-linked smart contracts designed to replicate the functions of entire business divisions of industry, but at near zero margin and without balance sheet exposure, credit risk or counter-party risk.”

61. “Veri” is a prepaid software token redeemable only to Alter Ego Defendant Veritaseum, LLC for various products and services offered by Veritaseum, I.I.C. According to Veritaseum, LLC the “Veri” functions “much like a gift certificate or loyalty points.”

62. Essentially, the Veritaseum Enterprise is offering the “Veri” as a way to collect fees through the end users’ use of the proprietary methods and systems for peer to peer transactions involving cryptocurrencies in connection with smart contracts developed by Veritaseum, Inc. Specifically, the Veritaseum Enterprise’s product and “first financial machine” VeADIR “takes advantage of distributed ledger (blockchain) and smart contract technology.”

63. Middleton continues to promote the Veritaseum Enterprise’s products and/or services and/or the products and services of its affiliated entities via social media, including his personal Twitter page and Veritaseum, Inc.’s Twitter page.

**The Veritaseum Enterprise is an Alter Ego of Middleton**

64. As disclosed through the Shareholder Books and Records Action, Veritaseum, Inc. has been stripped of its assets by Middleton and the Veritaseum Enterprise.

65. Middleton and the Veritaseum Enterprise's dominion and control over Veritaseum, Inc. was so complete so as to render Veritaseum, Inc. a mere instrumentality of Middleton and the Veritaseum Enterprise.

66. As set forth above, Middleton advised Hall that he did what he could to keep Veritaseum, Inc. "afloat," but ultimately could not do so, and that Veritaseum, Inc. "ran out of money and withered."

67. Imposing responsibility on the Veritaseum Enterprise is necessary to achieve equity, because Middleton has exercised dominion and control over the daily operations of Veritaseum, Inc. such that Veritaseum, Inc. and the entities that are part of the Veritaseum Enterprise are all alter egos of one another.

68. Imposing alter ego liability on each of the entities that comprises the Veritaseum Enterprise is appropriate given the following factors:

- a. There is inadequate capitalization of Veritaseum, Inc.;
- b. Upon information and belief, there have been transfers between and among Veritaseum, Inc. and the Veritaseum Enterprise entities on a less than objective basis and/or for no consideration at all;
- c. The managers, directors, officers, and personnel of the entities comprising the Veritaseum Enterprise and Veritaseum, Inc. overlap substantially;
- d. The entities share common office space and facilities;
- e. The entities share a website;

- f. Veritaseum, Inc. has displayed a lack of independent business discretion;
- g. Veritaseum, Inc. has failed to adhere to corporate formalities;
  - i. Veritaseum, Inc. does not have minutes of directors meetings;
  - ii. Veritaseum, Inc. does not have director resolutions;
  - iii. Veritaseum, Inc. does not have minutes of shareholder meetings;
  - iv. Veritaseum, Inc. does not have shareholder resolutions;
- h. Upon information and belief, the Veritaseum Enterprise entities have failed to adhere to the formalities of LLC existence;
- i. Veritaseum, Inc. owned property and assets, including intellectual property, that Middleton and the Veritaseum Enterprise used as if it were their own property;
- j. Middleton is the sole director and Chief Executive Officer of Veritaseum, Inc. and the Co-Chief Executive Officer of the Veritaseum Enterprise.
- k. Middleton has completely dominated Veritaseum, Inc. in that he organized, managed, and controlled Veritaseum, Inc. and the Veritaseum Enterprise entities.
- l. By virtue of the foregoing, the Veritaseum Enterprise entities are alter egos of Middleton and Veritaseum, Inc;
- m. Middleton and the Veritaseum Enterprise entities have abused the corporate form and committed a wrong against plaintiff in depriving him of his rights as a shareholder in Veritaseum, Inc.

69. By reason of the foregoing, the Veritaseum Enterprise entities are responsible for Middleton's liabilities to both Hall individually and Veritaseum, Inc. derivatively, based upon alter ego and reverse and traditional pierce the corporate veil theories of liability.

**DERIVATIVE AND DEMAND FUTILITY ALLEGATIONS**

70. Plaintiff brings this current action derivatively in the right and for the benefit of Veritaseum, Inc. to redress injuries it suffered, and that it continues to suffer, as a result of breaches of fiduciary duties owed to it by Middleton.

71. As set forth above, Hall is and was an owner of shares of Veritaseum, Inc., including during the time relevant to Middleton's wrongful course of conduct.

72. As set forth above, Middleton is the sole director of Veritaseum, Inc. As such, any demand on the Board of Directors to bring claims against Middleton and others would be futile.

73. As Chief Executive Officer and Director of Veritaseum, Inc., Middleton has a financial and/or personal interest in the transactions set forth above, and any demand upon Veritaseum, Inc. to sue Middleton for the breaches of fiduciary duty set forth herein would be futile.

**AS AND FOR A FIRST CAUSE OF ACTION****(Derivative Cause of Action for Breach of Fiduciary Duty by Middleton)**

74. Plaintiff repeats, reiterates, and re-alleges each and every allegation as contained in the previous paragraphs with the same force and effect as if more fully set forth herein.

75. By virtue of Middleton's fiduciary relationship with Veritaseum, Inc. as Chief Executive officer, Middleton owes the highest obligations of good faith, fair dealing, loyalty, and due care.

76. Middleton breached his fiduciary duty to Veritaseum, Inc. by way of his unlawful conduct, as set forth above, including, inter alia, by unlawfully using the intellectual property of Veritaseum, Inc. without royalty fees or other consideration in connection with the Veritaseum Enterprise and for the benefit of himself.

77. Middleton's breaches of his fiduciary duties were wanton, willful, and malicious in that they were purposefully designed to place Veritaseum, Inc. in jeopardy and strip Veritaseum, Inc. of its assets to enrich himself through the Veritaseum Enterprise.

78. Based on the foregoing, Plaintiff is entitled to damages in an amount to be determined at trial.

**AS AND FOR A SECOND CAUSE OF ACTION**

**(Violation of N.Y. Bus. Corp. Law § 720)**

79. Plaintiff repeats, reiterates, and re-alleges each and every allegation as contained in the above paragraphs with the same force and effect as if more fully set forth herein.

80. At all relevant times, Plaintiff has held shares of Veritaseum, Inc.

81. Middleton has served as the Chief Executive Officer and sole director of Veritaseum, Inc.

82. Middleton has neglected, failed to perform, and violated his duty in management of Veritaseum, Inc., by, among other things, exploiting the intellectual property of Veritaseum, Inc. to the financial benefit of the Veritaseum Enterprise and himself.

83. Under the direction and control of Middleton, the Veritaseum Enterprise has not provided Veritaseum, Inc. with royalties, licensing fees, or other consideration for the use of its intellectual property assets.

84. Accordingly, Middleton has mismanaged Veritaseum, Inc. and wasted its assets. As such, Veritaseum, Inc. is entitled to have the Veritaseum Enterprise disgorge its ill-gotten gains through its misappropriation of Veritaseum, Inc.'s assets.

**AS AND FOR A THIRD CAUSE OF ACTION**

**(Individual Cause of Action for Breach of Fiduciary Duty by Middleton)**



85. Plaintiff repeats, reiterates, and re-alleges each and every allegation as contained in the above paragraphs with the same force and effect as if more fully set forth herein.

86. As the controlling director and executive of Veritaseum, Inc., Middleton owed a fiduciary duty to Plaintiff, one of the minority owners of the company.

87. That fiduciary duty prohibited Middleton from acting in a manner inconsistent with his agency of trust and bound him to exercise the utmost good faith and loyalty in the performance of his duties.

88. As set forth above, Middleton represented to Plaintiff that Veritaseum, Inc. would pursue the development of intellectual property and patent technology as part of Veritaseum, Inc.'s business.

89. Middleton also represented to Plaintiff that he had secured additional investors in Veritaseum, Inc. such that it would be adequately capitalized to pursue development of valuable intellectual property and utilize the intellectual property in its business.

90. Instead, Middleton breached his duty to Plaintiff by directing and causing Veritaseum, Inc.'s assets to be usurped and misappropriated by the affiliated entities that comprise the Veritaseum Enterprise for his own personal gain and to the detriment of Plaintiff.

91. As direct result of Middleton's conduct, Plaintiff has been damaged in an amount to be determined at trial.

**AS AND FOR A FOURTH CAUSE OF ACTION**

**(Individual Cause of Action for Breach of Contract)**

92. Plaintiff repeats, reiterates, and re-alleges each and every allegation as contained in the above paragraphs with the same force and effect as if more fully set forth herein.

93. As Chief Executive Officer of Veritaseum, Inc. and as Co-Chief Executive Officer of the Veritaseum Enterprise, Middleton agreed to exchange Plaintiff's ownership interest in Veritaseum, Inc. on a dollar-for-dollar basis at the average retail price of the Veritaseum Enterprise's Veri token at the offering sale, which was between \$5 and \$6 dollars.

94. Middleton breached the agreement with Plaintiff by failing to execute the swap.

95. As a result of Middleton's breach, Plaintiff has suffered damages in an amount exceeding \$1,200,000.00.

**AS AND FOR A FIFTH CAUSE OF ACTION**

**(Individual Cause of Action for Unjust Enrichment)**

96. Plaintiff repeats, reiterates, and re-alleges each and every allegation as contained in the above paragraphs with the same force and effect as if more fully set forth herein.

97. At the expense of Plaintiff, Middleton has been unjustly enriched by his wrongful conduct in exercising complete dominion control over Veritaseum, Inc. and stripping it of its assets.

98. Middleton has personally benefitted through the misappropriation of Veritaseum, Inc.'s assets, including the proceeds of Hall's investment.

99. It would be inequitable for Middleton to continue to benefit from and retain the profits that stem from his wrongful conduct.

**AS AND FOR A SIXTH CAUSE OF ACTION**

**(Individual Cause of Action for Fraud)**

100. Plaintiff repeats, reiterates, and re-alleges each and every allegation as contained in the above paragraphs with the same force and effect as if more fully set forth herein.

101. As described in detail above, Plaintiff Hall relied upon Middleton's false representations in purchasing shares of Veritaseum, Inc.

102. Middleton's false representations were material because the entire basis for Plaintiff Hall's investment in Veritaseum, Inc. were Middleton's representations that Veritaseum, Inc. was in possession of valuable intellectual property, that Middleton had secured additional investors and funding for Veritaseum, Inc., and that it was able to monetize its valuable intellectual property.

103. Middleton's misrepresentations were fraudulent because Middleton had not secured additional investors at the time of Hall's investment, and because Middleton knew that Veritaseum, Inc. was not otherwise adequately capitalized to engage in the business that Middleton represented it could and that it was nowhere near being revenue-generating, as he had claimed.

104. As a direct result of Middleton's fraudulent actions, Plaintiff has suffered damages in an amount to be determined at trial.

**AS AND FOR A SEVENTH CAUSE OF ACTION**

**(Accounting)**

105. Plaintiff repeats, reiterates, and re-alleges each and every allegation contained in the above paragraphs as if more fully set forth herein.

106. Defendants' breaches of fiduciary duties and contractual obligations owed to Plaintiffs set forth above have damaged both Plaintiff Hall and Plaintiff Veritaseum, Inc.

107. Plaintiff is entitled to a full forensic accounting of Middleton's and the Veritaseum Enterprise's financial and corporate records, including full disclosure of corporate books and records, personal assets, and is also entitled a money judgment against Defendants for

any funds or assets that have been improperly used, misused, diverted, or taken therefrom in an amount to be determined at trial.

**PRAYER FOR RELIEF**

**WHEREFORE**, Plaintiffs demand judgment against Defendants as follows:

- a. On Plaintiff's first and second causes of action, awarding a judgment in Veritaseum, Inc.'s favor against Defendants in damages in an amount to be determined at trial, but not less than restitution of all of Veritaseum, Inc.'s assets and disgorgement of all revenue related to their use of Veritaseum, Inc.'s assets, together with interest accrued;
- b. On Plaintiff's third cause of action [Breach of Contract], awarding a judgment in Hall's favor against Defendants in an amount to be determined at trial, but not less than \$1,200,000.00 together with interest accrued;
- c. On Plaintiff's fourth, fifth, and sixth causes of action [Unjust Enrichment, Fraud, Breach of Fiduciary Duty], awarding a judgment in Hall's favor against Defendants in an amount to be determined at trial;
- d. Awarding punitive damages;
- e. Awarding pre-judgment and post-judgment interest on all amounts recovered;
- f. Awarding Plaintiff his costs and expenses, including attorneys' fees to the extent permitted by applicable law, including pursuant to N.Y. Bus. Corp. Law §720;
- g. Awarding any such other and further relief as the Court may deem just and proper.

Dated: August 30, 2019  
New York, New York

**FORD MARRIN ESPOSITO WITMEYER  
& GLESER LLP**

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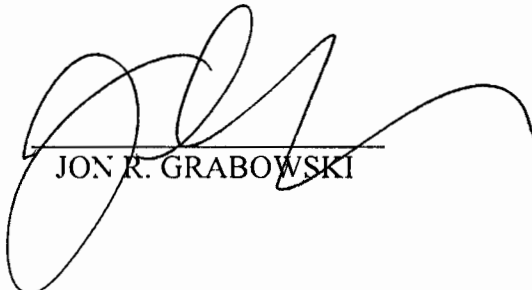
**VERIFICATION**

**JON R. GRABOWSKI**, an attorney duly admitted to practice before the courts of the State of New York, affirms the following to be true under the penalties of perjury:

I am a partner of Ford, Marrin, Witmeyer, Esposito & Gleser, LLP, attorneys of record for Plaintiff, in the action herein. I have read the annexed Complaint and know the contents thereof, and the same are true to my knowledge, except those matters therein which are stated to be alleged upon information and belief, and as to those matters I believe them to be true. My belief as to those matters therein not stated upon knowledge is based upon facts, records, and other pertinent information contained in my files.

This verification is made by me because Plaintiff is not presently in the county wherein I maintain my offices.

Dated: August 30, 2019  
New York, New York



JON R. GRABOWSKI