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

LCX AG,

Plaintiff,

-against-

JOHN DOES NOS 1–25,

Defendants.

Index No. _____

AFFIRMATION OF ANDREW W. BALTHAZOR

I, Andrew W. Balthazor, affirm under penalty of perjury as follows:

1. I am an attorney with the law firm of Holland & Knight LLP, attorneys for Plaintiff LCX AG ("LCX") in the above-captioned action against Defendant John Does Nos 1–25 (collectively, "Defendants"). I am admitted to the practice of law in Florida, Bar Number 1019544, and in the Southern and Middle Districts of Florida. I am over 18 years of age, of sound mind, and am competent to make this Affirmation. The evidence set out in the foregoing Affirmation is based on my personal knowledge unless expressly stated otherwise.

2. I submit this affirmation in support of Plaintiff's Motion for an Order to Show Cause for a Temporary Restraining Order pursuant to CPLR §§ 6301, 6312, and 6313: (i) restraining Defendants and Garnishee Centre Consortium, LLC ("CCL") from disposing of, processing, routing, facilitating, selling, transferring, encumbering, removing, paying over, conveying or otherwise interfering with Defendants' property, debts, accounts, receivables, rights of payment, or tangible or intangible assets of any kind, whether such property is located inside or outside of the United States, including, but not limited to, the USD Coin held in the wallet with the address numbered 0x29875bd49350aC3f2Ca5ceEB1c1701708c795FF3 (the "Address"); and

(ii) directing CCL to prevent the Address from transacting in USDC, pending a hearing on Plaintiff's motion for a preliminary injunction.

3. I incorporate by reference in its entirety the Affidavit of Monty Metzger, dated June 1, 2022 (the "Metzger Aff."), and submitted contemporaneously herewith, and the statements made and documents referenced therein.

I. Background and Summary of Blockchain

4. I have a Bachelor's of Science degree in Computer Science from the United States Military Academy. Between 1999 and 2004, I was a military intelligence officer and am trained in pattern recognition, complex investigations, and analysis.

5. I have authored several papers and blog posts relating to blockchain technologies, virtual currencies, and related innovations—including the legal implications of these technologies.

6. I have also spoken on or moderated panels discussing blockchain technologies and virtual currencies. I am an adjunct professor at Florida International University's Knight Foundation School of Computing and Information Science. In this role, I created and am teaching the legal component of an introductory blockchain course.

7. Blockchains are transaction ledgers for certain virtual currencies. Most blockchains permit public viewing of transaction data between addresses—the blockchain equivalent of bank accounts—but do not directly reveal the entities who control a certain address.

8. I have been conducting blockchain transaction investigations since 2018 in support of asset recovery and other litigation matters. I have traced transactions by using blockchain data in approximately a dozen actual or prospective engagements, some of which involved tens of thousands of transactions.

9. I am particularly familiar with the Ethereum ("ETH") blockchain. ETH is the native currency (or token) of the Ethereum blockchain. The ETH blockchain permits the creation of other

virtual tokens. ETH blockchain addresses may hold a mix of different Ethereum-based virtual tokens.

10. ETH blockchain data is viewable via online blockchain explorers, such as Etherscan, https://etherscan.io/. Such blockchain explorers permit examination of an address's transactions and current balances of all Ethereum-based tokens.

II. The Theft of Virtual Currency from Plaintiff and Initial Tracing Report

11. I have reviewed the English translation of Plaintiff's January 9, 2022 letter to the National Police of the Principality of Liechtenstein; and the January 17, 2022, LCX AG Security Incident Funds Tracing Report (the "Tracing Report").

12. The Tracing Report documents Plaintiff's investigation of approximately $8 million worth of virtual currencies stolen from Plaintiff on January 9, 2022. Tracing Report at 2.

13. The virtual currency thieves, *i.e.*, Defendants, sent the stolen currencies to Tornado Cash, a mixing service. *See id.* at 4.

14. Mixing services—mixers—are designed to obfuscate the flow of virtual currencies by mixing many different unrelated transactions together, confusing tracing via blockchain data. One of the methods employed by mixers is permitting users to send funds to the mixing service and then withdrawing them into a different address. Tornado Cash permits such functionality. *See* https://docs.tornado.cash/general/how-does-tornado.cash-work.

15. In my experience, those seeking to confuse blockchain investigations employ a few common techniques. One such technique is smurfing: breaking large amounts of stolen cryptocurrencies into smaller chunks—usually in even increments—and then transacting those smaller amounts to confuse any subsequent investigation. Users of mixers will combine smurfing with a delayed withdrawal of "mixed" funds to make it more difficult to connect the depositing address to the withdrawing address. Indeed, Tornado Cash appears to facilitate smurfing, as it has

fixed-increment smart contracts which forces users to divide their total transactions into smaller increments.

III. Ethereum Blockchain Data is Consistent with the Tracing Report's Conclusions

16. I reviewed the Ethereum blockchain data relevant to the theft from Plaintiff using the blockchain explorer Etherscan.

17. Based on Ethereum blockchain data, Defendants stole various crypto assets from Plaintiff, including 162.68 ETH, transferring all of the assets to address 0x165402279F2C081C54B00f0E08812F3fd4560A05 ("Address -A05").

18. Within an hour of the theft, Defendants liquidated the proceeds of the theft into ETH. They did so by exchanging the stolen non-ETH crypto assets for ETH using several cryptocurrency exchanges. In total, Defendants exchanged the stolen non-ETH crypto assets for 1,823.298 ETH.

19. After exchanging the non-ETH crypto assets, Defendants had a total of 1,985.978 ETH in Address –A05, when combined with the ETH originally stolen from Plaintiff.

20. Within hours of the theft and subsequent exchange of crypto assets, Defendants sent virtually all of the stolen ETH to Tornado Cash—approximately 1891 ETH—through 46 transactions.

21. Thirty-six hours after these transactions, Address –ba4 received 1,505.974 ETH from Tornado Cash addresses in the following increments. Transaction fees were deducted from each transaction, resulting in the balance of 1,505.974 ETH. This represents the majority of the value stolen from Plaintiff.

22. Ethereum blockchain data shows Defendants then immediately transferred 1,500 ETH from Address –ba4 to Address –FF3, *i.e.*, the Account Holder.

23. My review of the Ethereum blockchain data shows it is consistent with the conclusions contained with the Tracing Report.

IV. Defendants' Subsequent Purchase of USD Coin Stored in the Address

24. Defendants then purchased and sold USDC in several transactions using the ETH held in the Address.

25. In total, Defendants purchased $4.1 million USDC in two large transactions on March 27, 2022 and May 9, 2022.

26. Defendants then sold $2.827 million USDC in two large transactions on May 7, 2022 and another on May 31, 2022.

27. As of May 31, 2022, the Address still holds $ 1.274 million USDC.

28. Defendants could sell this remainder of USDC with no notice.

V. The Centre Consortium Has the Ability to Freeze the USDC Held by the Address

29. Centre Consortium, LLC ("Centre"), which maintains an address in New York, is the entity governing the network protocol on which USDC operates.

30. Pursuant to its USDC Network Blacklisting Policy (the "Blacklisting Policy"), Centre is able to prevent the Address from transacting in USDC.[1] A true and correct copy of the Blacklisting Policy is attached as **Exhibit 1**.

31. Specifically, the Blacklisting Policy states as follows (*id.* at 2):

> [Centre] has has the ability to block individual Ethereum Blockchain addresses from sending and receiving [USDC]. . . . [T]his ability is referred to as 'blacklisting.' When an address is blacklisted, it can no longer receive USDC and all of the USDC controlled by that address is blocked and cannot be transferred on-chain.

[1] *Centre Consortium USDC Network Blacklisting Policy*, available at: https://www.centre.io/hubfs/PDF/Centre_Blacklisting_Policy_20200512.pdf (last visited May 31, 2022).

32. Pursuant to the Blacklisting Policy, Centre will blacklist an address by majority vote of its Board of Managers "[t]o comply with a . . . legal order from a . . . US court of competent jurisdiction[.]" *Id.*

33. David Puth is CEO of Centre. Mr. Puth's LinkedIn page states that he is based in New York, New York.

I declare under penalty of perjury the foregoing is true and correct.

Dated: June 1, 2022
Miami, Florida

Andrew William Balthazor
/s/ Andrew W. Balthazor

State of Florida
County of Osceola

Sworn to (or affirmed) and subscribed before me by means of online notarization, this 06/01/2022 by Andrew William Balthazor.

___ Personally Known OR ✓ Produced Identification

Type of Identification Produced __DL_____

NELSON RIVERA
Notary Public - State of Florida
Commission # HH 182494
Expires on October 6, 2025

Nelson Rivera Online Notary

Notarized online using audio-video communication

CERTIFICATE OF CONFORMITY

I am an attorney at Holland & Knight LLP, counsel of record for Plaintiff LCX AG in the above-referenced matter. I am an attorney duly admitted to practice in the State of New York.

I provide this certification pursuant to CPLR § 2309(c) to certify that, based upon my review, the foregoing Affirmation of Andrew W. Balthazor was sworn to before Nelson Rivera, a Notary Public in the State of Florida, in a manner prescribed by the laws of Florida, and that it duly conforms with all such laws and is in all respects valid and effective in Florida.

Dated: June 1, 2022
New York, New York

/s/
Elliot A. Magruder