

Exhibit 2

CONFIDENTIAL PURSUANT TO PROTECTIVE ORDER

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UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

SECURITIES AND EXCHANGE)	
COMMISSION,)	
)	
Plaintiff,)	
)	19 Civ. 9439 (PKC)
- against -)	
)	
TELEGRAM GROUP INC. and)	
TON ISSUER INC.,)	
)	
Defendants.)	
)	

CONFIDENTIAL PURSUANT TO PROTECTIVE ORDER

Videotaped deposition of PAVEL DUROV (as 30(b)(6) corporate representative of Defendants and also in his personal capacity), Volume 1, taken on behalf of Plaintiff at HadeF & Partners, LLC, Emaar Square, Building 3, Level 5, Downtown Dubai, Dubai, United Arab Emirates, beginning at 11:21 a.m. and ending at 9:54 p.m., on Tuesday, January 7, 2020, before LEAH WILLERSDORF, Member of the British Institute of Verbatim Reporters, Accredited Verbatim Reporter, Qualified Realtime Reporter - Level 2, International Participating Member NCRA.

JOB No. 200107LWI

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11:35:26 1 MR. TENREIRO: I'm just asking about --
11:35:28 2 I'm not sure it relates to any topic. I'm just
11:35:31 3 asking about the --

11:35:31 4 MR. DRYLEWSKI: Okay. Objection, based on
11:35:34 5 scope.

11:35:34 6 You can answer that question in your
11:35:36 7 personal capacity. And I'd instruct the witness
11:35:38 8 to exclude from the answer the substance of any
11:35:41 9 conversations with counsel.

11:35:42 10 THE WITNESS: Sure. So, as you know,
11:35:59 11 Telegram, until yesterday, didn't comment on its work
11:36:07 12 related to TON, and the reason why we did not comment
11:36:15 13 is we didn't want our users and consumers in general
11:36:25 14 to have any expectations in relation to TON; however,
11:36:31 15 it came to our attention that due to this vacuum, or
11:36:41 16 the perceived vacuum of announcements from our team,
11:36:45 17 some users were being scammed by certain third
11:36:53 18 parties, and while we warned our users against --
11:37:01 19 about those scams on numerous occasions before, we
11:37:04 20 decided that it is worth posting a more extensive
11:37:09 21 piece explaining to the users the current status of
11:37:18 22 TON and Grams so that they wouldn't be misled by bad
11:37:24 23 actors trying to trick them into, you know, buying
11:37:30 24 something that is not related to what we are trying to
11:37:32 25 build.

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17:46:37 1 private placement?

17:46:37 2 A. I don't think we reached out to the SEC
17:46:40 3 before I signed the first purchase agreement. The way
17:46:44 4 we designed it is, the private placement, was that we
17:46:59 5 reserved a lot of flexibility to how the project and
17:47:10 6 its parts could look like, and this flexibility is
17:47:17 7 reflected in the purchase agreements and its
17:47:20 8 appendices.

17:47:36 9 That gave us a comfort of knowing that
17:47:44 10 we would be able to change certain, if not all,
17:47:49 11 aspects of what we're trying to build based on the
17:47:59 12 feedback that we could receive from the regulators,
17:48:04 13 including the SEC, in the following months.

17:48:08 14 Q. So is it fair to say the answer to my
17:48:10 15 question is no, you do not?

17:48:13 16 A. No; that was the first sentence,
17:48:17 17 I believe.

17:48:17 18 Q. Okay. Now, in terms of the remainder of
17:48:21 19 your answer and the flexibility, is it fair to say
17:48:24 20 that you today still retain that flexibility to
17:48:46 21 change ...

17:48:48 22 Right. Is it fair to say that -- so you
17:48:48 23 said the way you designed it was that you had
17:48:52 24 flexibility to change some features of the project.
17:49:03 25 Is it fair to say that you, to this day, retain that

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17:49:06 1 flexibility to change features of how a project might
17:49:11 2 look like in the future?

17:49:12 3 A. That's correct.

17:49:12 4 Q. I mean, just as one example, I think at
17:49:15 5 some point originally there was at least the idea
17:49:17 6 conveyed to investors that TON Wallet might be
17:49:23 7 integrated into Messenger, but in Exhibit 38, which we
17:49:27 8 began the morning with, which was the statement that
17:49:29 9 you posted yesterday, there is a statement that TON
17:49:35 10 Wallet will no longer be integrated into Messenger;
17:49:38 11 is that correct?

17:49:38 12 MR. DRYLEWSKI: Objection to form.
17:49:40 13 Objection to the characterization of the document.

17:49:45 14 THE WITNESS: I believe in that
17:49:46 15 announcement we made clear that the Wallet would not
17:49:51 16 be integrated into the Messenger applications at
17:49:55 17 launch.

17:49:56 18 BY MR. TENREIRO:

17:49:56 19 Q. Right.

17:50:05 20 A. And we reserved the right to do that
17:50:08 21 later, subject to regulatory approval.

17:50:10 22 Q. Right. Thank you. Thanks for clarifying.

17:50:13 23 "Telegram may integrate the TON Wallet
17:50:15 24 application with the Telegram Messenger service in the
17:50:17 25 future, to the extent permitted under applicable law

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17:50:20 1 and governmental authorities."

17:50:22 2 I just read that from Exhibit 38.

17:50:25 3 A. Yeah.

17:50:25 4 Q. Is that what you were referring to?

17:50:27 5 A. Correct.

17:50:27 6 Q. Okay. So that's one example of where you
17:50:30 7 retained flexibility, and retain flexibility today,
17:50:33 8 in terms of how you structure the TON Blockchain and
17:50:37 9 surrounding ecosystem? Is that one example?

17:50:41 10 A. That's one example. The other, I think,
17:50:54 11 even more relevant example is when we received
17:50:56 12 feedback from the SEC in relation to the contemplated
17:51:10 13 Gram-buying function of the TON Foundation that may be
17:51:17 14 established in the future, and we understood that the
17:51:27 15 SEC was concerned with that function, and although we
17:51:40 16 might not fully -- might not have fully understood or
17:51:48 17 agreed with that view, we instantly changed our plans,
17:52:09 18 and at a certain point in time later informed all the
17:52:13 19 private placement purchasers about this change.

17:52:16 20 Q. Thank you. And is another example of
17:52:19 21 where you have some flexibility the existence of or
17:52:24 22 the parameters for functioning of the TON Foundation?
17:52:27 23 Is that another example?

17:52:29 24 A. Yes. I believe that flexibility is
17:52:34 25 allowed for in the risk factors of appendix to the

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17:54:53 1 the TON Foundation cannot serve as a validator on the
17:55:05 2 TON Blockchain; is that correct?

17:55:16 3 A. [REDACTED]
[REDACTED] [REDACTED]
[REDACTED] [REDACTED]
[REDACTED] [REDACTED]
[REDACTED] [REDACTED]

17:56:06 8 Q. I just want to make sure I have a clear
17:56:09 9 record.

17:56:09 10 MR. DRYLEWSKI: Yeah.

17:56:09 11 BY MR. TENREIRO:

17:56:10 12 Q. So you believe you have a plan to allow
17:56:12 13 the TON Foundation to act as a validator?

17:56:14 14 A. No.

17:56:15 15 Q. Oh, okay.

17:56:16 16 MR. DRYLEWSKI: Yeah. So "could," I think
17:56:16 17 it was "could not."

17:56:18 18 MR. TENREIRO: Okay.

17:56:18 19 THE WITNESS: Sorry.

17:56:19 20 MR. TENREIRO: Yeah.

17:56:19 21 THE WITNESS: Could not.

17:56:19 22 MR. TENREIRO: Okay.

17:56:20 23 BY MR. TENREIRO:

17:56:23 24 Q. Okay. So my followup question is,
17:56:26 25 is there flexibility, from your perspective, on that

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17:56:28 1 point as well, such that you could at some point later
17:56:33 2 in the future change your mind and permit the TON
17:56:35 3 Reserve to act as one of many validators on the TON
17:56:56 4 Blockchain?

17:56:56 5 A. No, we never wanted to retain that
17:57:00 6 flexibility. It was our -- it has been our plan
17:57:10 7 to disallow that kind of use of Grams by the TON
17:57:18 8 Foundation in order to make sure that the public
17:57:31 9 perception of the network is in line with expectations
17:57:54 10 people would reasonably have from a decentralized
17:58:00 11 network.

17:58:00 12 Q. Okay. We can set that document aside,
17:58:07 13 which is Exhibit 50.

17:58:08 14 You were talking about banking
17:58:10 15 relationships and I believe that -- is it fair to say
17:58:13 16 that during the term of the private placement, your
17:58:16 17 primary banking relationship -- [REDACTED]

[REDACTED]
17:58:22 19 MR. DRYLEWSKI: Objection, I think to
17:58:24 20 scope.

17:58:25 21 Is that in one of the topics?

17:58:26 22 MR. TENREIRO: It's the Use of Funds
17:58:29 23 topic.

17:58:32 24 MR. DRYLEWSKI: Use of Funds topic, okay.

17:58:45 25 THE WITNESS: Yes, I think you could say

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20:08:36 1 completely or because the purchaser suddenly decided
20:08:42 2 to change their plans and, given the situation --
20:09:17 3 I'm sorry. So as a result of the situation
20:09:21 4 surrounding this specific investor, decided to
20:09:27 5 decrease the number of Grams that they would subscribe
20:09:30 6 for in the purchase agreements.

20:09:34 7 So those agreements had to be canceled in
20:09:36 8 order to have new agreements signed reflecting the
20:09:42 9 updated number of Grams and amounts in US dollars or
20:09:57 10 euro.

20:09:58 11 Q. So tens of purchase agreements is your
20:10:01 12 kind of estimate?

20:10:01 13 A. That's my estimate.

20:10:03 14 Q. Okay. And in terms of these funds --
20:10:06 15 I'll go on a break after this.

20:10:08 16 MR. DRYLEWSKI: Thank you.

20:10:08 17 BY MR. TENREIRO:

20:10:09 18 Q. I'm sorry, did you want to say something
20:10:12 19 else?

20:10:13 20 A. Just to clarify, that by tens of
20:10:23 21 agreements, I don't mean investors, I don't mean
20:10:26 22 purchasers; I mean separate purchase agreements --

20:10:31 23 Q. Sure.

20:10:32 24 A. -- and one purchaser may have entered into
20:10:36 25 multiple purchase agreements.

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UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

SECURITIES AND EXCHANGE)	
COMMISSION,)	
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Plaintiff,)	
)	19 Civ. 9439 (PKC)
- against -)	
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TELEGRAM GROUP INC. and)	
TON ISSUER INC.,)	
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Defendants.)	
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CONFIDENTIAL PURSUANT TO PROTECTIVE ORDER

Videotaped deposition of PAVEL DUROV (as 30(b)(6) corporate representative of Defendants and also in his personal capacity), Volume 2, taken on behalf of Plaintiff at HadeF & Partners, LLC, Emaar Square, Building 3, Level 5, Downtown Dubai, Dubai, United Arab Emirates, beginning at 10:23 a.m. and ending at 6:09 p.m., on Wednesday, January 8, 2020, before LEAH WILLERSDORF, Member of the British Institute of Verbatim Reporters, Accredited Verbatim Reporter, Qualified Realtime Reporter - Level 2, International Participating Member NCRA.

JOB No. 200108LWI

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10:25:37 1 Q. Okay. So with respect to the 1.3 billion
10:25:40 2 that is left from the private placement, sitting here
10:25:43 3 today, what are Telegram's plans for those funds,
10:25:46 4 the use of those funds?

10:25:57 5 A. Would you mind specifying the period of
10:25:59 6 time for ...

10:26:00 7 Q. Let's say for the next year.

10:26:19 8 A. My expectation is that we will continue
10:26:26 9 to spend funds in a manner similar to which took place
10:26:39 10 last year or this year -- or, yeah, last year and the
10:26:43 11 beginning of this year. So we don't anticipate big
10:26:51 12 changes up until the launch of TON when we expect that
10:27:07 13 certain expenses might go down due to the fact that we
10:27:10 14 will no longer be spending resources on developing and
10:27:18 15 testing TON.

10:27:19 16 Q. So is it your expectation that after the
10:27:21 17 launch of the blockchain, Telegram will spend no funds
10:27:25 18 at all on TON or the blockchain?

10:27:36 19 A. [REDACTED]

[REDACTED]

[REDACTED]

10:28:01 22 Q. So is it -- is the testing of the
10:28:05 23 TON Blockchain complete as of today, or do you expect
10:28:09 24 it will be complete by the launch? What's the status
10:28:12 25 of the testing?

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10:28:16 1 MR. DRYLEWSKI: Objection to form.

10:28:18 2 Do you mean Telegram's testing? Because
10:28:20 3 there's also a testnet, I just want to be clear.

10:28:25 4 MR. TENREIRO: Telegram's testing,
10:28:27 5 mmm-hmm.

10:28:28 6 MR. DRYLEWSKI: Okay.

10:28:29 7 Objection to form. Objection to
10:28:34 8 foundation.

10:28:57 9 THE WITNESS: We consider the testing of
10:29:06 10 the core components of the TON network to be complete;
10:29:21 11 however, certain additional functionality of TON, that
10:29:35 12 would be nice to have, but that would not be necessary
10:29:42 13 for the launch. It's still required and that is the
10:29:57 14 kind of testing that we are focused on right now.

10:30:04 15 BY MR. TENREIRO:

10:30:04 16 Q. So let me take it in steps. Some of the
10:30:06 17 functionality that would be nice to have but not
10:30:08 18 required, can you be more specific about what you
10:30:11 19 mean, what functionalities?

10:30:14 20 MR. DRYLEWSKI: And just for the record,
10:30:15 21 about which topic are we in right now?

10:30:18 22 MR. TENREIRO: I think this is -- hold on
10:30:20 23 a second.

10:30:31 24 MR. DRYLEWSKI: I'll answer my own
10:30:33 25 question. Is it 13?

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10:47:09 1 voted on or -- under the protocols and procedures of
10:47:13 2 the TON Blockchain? Is that one of the things that,
10:47:15 3 in theory, the TON Foundation could do if it ever
10:47:18 4 existed?

10:48:11 5 A. Since the TON Foundation, as contemplated
10:48:27 6 at a certain point in time in the past, was modeled
10:48:35 7 after the Ethereum foundation and the Bitcoin
10:48:41 8 foundation, foundations relevant to the similar but
10:48:52 9 older and less, we believe, efficient networks, one of
10:49:02 10 its planned functions that we discussed was to be
10:49:20 11 able to, based on the input from the blockchain
10:49:26 12 community and relevant experts, put forward proposals
10:49:47 13 in relation to the future of TON Blockchain in the
10:49:59 14 same way as any other organization or group of people,
10:50:17 15 if they would like so, will be able to put forward
10:50:24 16 proposals in relation to the future of TON Blockchain.
10:50:39 17 Those proposals, though, would not, and will not,
10:50:51 18 be able to affect any property or functionality in the
10:51:03 19 TON Blockchain, or change the way how it would work,
10:51:32 20 unless validators/parties that will be hosting
10:51:45 21 the network agree, in their majority, to implement
10:52:05 22 proposed changes, be it changes proposed by the
10:52:18 23 hypothetical TON Foundation or any other organization
10:52:33 24 of that kind that may be established in the future by
10:52:46 25 third parties.

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10:57:07 1 Q. And for that reason, Telegram has retained
10:57:09 2 flexibility in its offering documents for the private
10:57:13 3 placement to change its mind about the level of
10:57:16 4 involvement it might have with some of these issues;
10:57:18 5 is that correct?

10:57:30 6 A. Generally speaking, Telegram reserved
10:57:39 7 a very large degree of flexibility described in the
10:57:48 8 offering materials, in the purchase agreement and
10:57:54 9 its appendices. I believe that in certain parts of
10:58:22 10 the offering materials we make it clear for the
10:58:36 11 purchasers that the future of the TON Blockchain is --
10:58:52 12 would be in the hands of decentralized, open source
10:59:05 13 community. I think this was almost a direct quote
10:59:19 14 from the primer, if I'm not mistaken.

10:59:21 15 MR. TENREIRO: It's "decentralized."

10:59:22 16 MR. DRYLEWSKI: I was going to check after
10:59:24 17 the answer was done.

10:59:25 18 MR. TENREIRO: Yeah. I got it.

10:59:30 19 THE WITNESS: Thank you.

10:59:30 20 MR. TENREIRO: I'm sorry. Were you
10:59:33 21 finished? I apologize.

10:59:40 22 THE WITNESS: And based on that, I think
11:00:08 23 it was -- it is clear that the degree of Telegram's
11:00:24 24 involvement in developing and supporting TON
11:00:36 25 post-launch would be limited.

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11:10:46 1 BY MR. TENREIRO:

11:10:46 2 Q. But let's, I think -- let's break --

11:10:48 3 MR. DRYLEWSKI: Telegram, the entity.

11:10:48 4 MR. TENREIRO: Yeah, let's break it up
11:10:51 5 because he might be struggling.

11:10:53 6 THE WITNESS: Sure.

11:10:53 7 BY MR. TENREIRO:

11:10:54 8 Q. So let's try Telegram first.

11:10:56 9 A. Okay. So Telegram does not intend to hold
11:10:58 10 any Grams post launch.

11:11:02 11 Q. So the unsold Grams will go to who?

11:11:17 12 A. The unsold Grams, provided the network
11:11:30 13 is launched with unsold Grams, will be locked until
11:11:38 14 the creation of, the establishment of the
11:11:41 15 TON Foundation. If the TON Foundation is never
11:11:51 16 established, those unsold Grams will be locked for
11:11:57 17 perpetuity.

11:11:58 18 Q. And what's the percentage of the 5 billion
11:12:02 19 that those locked Grams would be?

11:12:08 20 A. I think we had the --

11:12:13 21 MR. DRYLEWSKI: Let's go off the record
11:12:14 22 for one second if that's okay.

11:12:16 23 MR. TENREIRO: Okay.

11:12:16 24 THE VIDEOGRAPHER: We are going off the
11:12:18 25 record. The time is 11:12.

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11:23:31 1 "28 percent of the initial supply of Grams would be
11:23:31 2 allocated to the TON Reserve to be used by the
11:23:33 3 TON Foundation as described [therein]"?

11:23:44 4 A. I think this is an accurate reflection
11:24:05 5 of our plans --

11:24:06 6 Q. Accurate and.

11:24:08 7 A. ... reflection of our plans, yeah.

11:24:10 8 Q. An accurate reflection, okay.

11:24:11 9 Then if you go to page 29 where there is
11:24:18 10 Interrogatory No. 15 and a response also. If you
11:24:21 11 could focus on the first paragraph first that
11:24:23 12 describes:

11:24:24 13 "... Defendants currently contemplate that
11:24:25 14 approximately 10% of the initial supply of Grams will
11:24:29 15 be allocated for incentive payments to TON Blockchain
11:24:29 16 users... The Incentives Pool is expected to managed by
11:24:33 17 the TON Foundation."

11:24:34 18 Oh, page 29.

11:24:36 19 A. Yes, okay.

11:24:46 20 Q. So is that statement accurate?

11:25:42 21 A. It is accurate that we plan to distribute
11:26:00 22 approximately 10 percent in the initial supply of
11:26:03 23 Grams among the users of the TON Blockchain, subject
11:26:15 24 to certain conditions. It is, however, worth noting
11:26:23 25 that in light of the uncertain status of the

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11:26:36 1 TON Foundation, one of the mechanics of distributing
11:26:59 2 those 10 percent of Grams that we have been discussing
11:27:14 3 is that in case the TON Foundation is not established
11:27:33 4 or, theoretically speaking, for some reasons could
11:27:54 5 never be established and we come to such a conclusion,
11:28:03 6 then we were discussing ways to distribute those
11:28:29 7 10 percent of the initial supply among the users
11:28:39 8 directly at launch so that if the incentive pool,
11:29:28 9 as a concept, is considered to be applicable as
11:30:23 10 a result of the ongoing analysis and continuing legal
11:30:29 11 processes, while the TON Foundation, for some reasons,
11:30:45 12 is not feasible as a concept, we could treat the
11:31:04 13 incentives pool separately from the TON Foundation and
11:31:18 14 could still try to find compliant ways to implement
11:31:39 15 the idea of distributing 10 percent among the users
11:31:50 16 in order to increase and promote the consumptive use
11:32:00 17 of the new currency.

11:32:06 18 Q. Thank you. I'm just trying to get an
11:32:09 19 answer to my question now, which is: What percentage
11:32:11 20 of Grams of the 5 billion is Telegram's employees
11:32:14 21 going to have upon the launch? It's just a number.

11:32:17 22 MR. DRYLEWSKI: I think he just answered
11:32:18 23 that question.

11:32:19 24 MR. TENREIRO: I don't think so.

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11:32:20 1 BY MR. TENREIRO:

11:32:21 2 Q. I just want a number.

11:32:37 3 A. I can reconfirm that Telegram will not
11:32:39 4 hold any Grams post launch. We mentioned in the
11:32:59 5 offering materials that we plan to distribute
11:33:06 6 4 percent of Grams, which should be around 200 million
11:33:20 7 Grams, I believe, among the development team, and
11:33:57 8 we are still evaluating, under the circumstances,
11:34:08 9 whether we would proceed with that initial plan of
11:34:19 10 distributing all or some of those 200 million Grams
11:34:40 11 among the developers that worked on TON.

11:34:50 12 Q. So what percentage of the Grams were sold
11:34:53 13 in the private placement?

11:36:00 14 A. In order to make sure I accurately answer
11:36:03 15 your question, may I look at the documents in my email
11:36:19 16 and ...

11:36:20 17 MR. DRYLEWSKI: What we can do, I think,
11:36:22 18 Jorge, this isn't meant to be a memory test, is we can
11:36:25 19 get the information for you, we can take a quick break
11:36:28 20 and he can answer the question because it's a knowable
11:36:31 21 answer; he just doesn't know the percentages right
11:36:33 22 now. We're talking about a lot of different numbers.

11:36:35 23 So does that work for you?

11:36:37 24 MR. TENREIRO: Sure. Let's just get the
11:36:38 25 numbers and get an answer. We've been at this for,

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11:44:25 1 Q. Okay. And the remaining 42 percent,
11:44:30 2 who currently, as we sit here today, will have the
11:44:34 3 authority to decide what to do and how to allocate the
11:44:38 4 remainder of the 42 percent?

11:45:06 5 A. The creators of the network will be
11:45:09 6 responsible for the distribution mechanism at launch.

11:45:21 7 Q. So the creators of the network, you mean
11:45:26 8 Telegram?

11:45:26 9 A. Yes.

11:45:26 10 Q. Okay. And moving on to a separate topic
11:45:31 11 or, I guess, just moving on from this line of
11:45:33 12 questioning, I think yesterday we talked about whether
11:45:38 13 Telegram or its employees may take part in voting or
11:45:42 14 validation. Do you recall generally we talked about
11:45:45 15 that a little bit?

11:45:45 16 A. Yes.

11:45:46 17 Q. And I think you said in your public notice
11:45:49 18 of the 6th, which I think was Monday, and if you want
11:45:53 19 to refer to it, it's Exhibit 38, but you said,
11:45:58 20 you know, Telegram and its employees --
11:46:00 21 I'm paraphrasing -- will not take part in voting or
11:46:02 22 validating in connection with the TON Blockchain.
11:46:05 23 This voluntary decision was made in order to avoid any
11:46:07 24 perception that Telegram or its employees can or will
11:46:10 25 exercise control over the TON Blockchain following its

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11:46:13 1 launch.

11:46:15 2 Does that sound more or less like what you
11:46:18 3 said?

11:46:18 4 A. Yes.

11:46:18 5 Q. Okay. Now, at some point, though, prior,
11:46:22 6 Telegram's employees were -- it was contemplated that
11:46:27 7 they could participate in validating up to a certain
11:46:31 8 percentage of Grams available; is that not correct?

11:46:43 9 MR. DRYLEWSKI: Sorry, could I have that
11:46:44 10 question read back. I want to know if I need to
11:46:47 11 object.

11:47:01 12 (Whereupon, the record was read back by
11:47:02 13 the court reporter.)

11:47:02 14 MR. DRYLEWSKI: Okay. I wanted to know if
11:47:04 15 you said "disclosed" or "contemplated." I do not
11:47:08 16 object.

11:47:48 17 THE WITNESS: If I remember it right, when
11:48:10 18 we were drafting our plans in relation to the
11:48:12 19 distribution of Grams -- and those plans were drafted
11:48:20 20 in, I believe, 2017, or started to be drafted in
11:48:27 21 2017 -- we didn't specifically emphasize in those
11:48:52 22 plans that we would limit the holders of this
11:49:13 23 hypothetical 4 percent from participating in
11:49:22 24 validation.

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12:12:09 1 "We were planning to provide you with the
12:12:11 2 same level of allocation we grant other tier-1 firms
12:12:15 3 such as [REDACTED], which is 15 [million]."

12:12:20 4 Do you see that?

12:12:21 5 A. Yes.

12:12:22 6 Q. Can you tell me what you meant by "tier-1
12:12:26 7 firms"?

12:12:26 8 MR. DRYLEWSKI: And this is a question
12:12:28 9 to him in his personal capacity?

12:12:30 10 MR. TENREIRO: Yeah.

12:12:30 11 MR. DRYLEWSKI: Thank you.

12:12:44 12 THE WITNESS: I think it is common
12:12:46 13 knowledge that there are certain venture capital funds
12:12:56 14 in Silicon Valley and elsewhere that are universally
12:13:05 15 considered to have the best track record in the
12:13:29 16 industry, and such VCs, and in some cases individual
12:13:37 17 investors, are often referred to as "tier 1 funds,"
12:13:45 18 at least the firms. At least that is how I use this
12:13:51 19 word.

12:13:52 20 BY MR. TENREIRO:

12:13:52 21 Q. Okay. And why -- I think you mentioned
12:13:56 22 reputation a couple times. Why does reputation -- why
12:14:01 23 was that a factor that Telegram considered in the
12:14:04 24 allocation decision?

12:14:24 25 A. Reputation was very important if -- a very

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12:14:30 1 important factor for us when deciding which purchasers
12:14:43 2 should be admitted to participating in the private
12:14:51 3 placement, because when entering the purchase
12:15:00 4 agreements, investors were obliged by the agreement
12:15:20 5 to make representations, including representations
12:15:38 6 that confirmed that they're buying an interest in
12:15:57 7 Grams on their own behalf and not on behalf of some
12:16:07 8 other parties, and not with the view to reselling this
12:16:18 9 interest in Grams. They would then have to reconfirm
12:16:35 10 those representations at the time when Grams would be
12:16:56 11 issued to them, and it was a clear condition that they
12:17:03 12 would have to reconfirm those representations in order
12:17:08 13 to receive Grams at launch.

12:17:22 14 It was important that we have reputable
12:17:28 15 investors, to the extent it is possible, and other
12:17:51 16 considerations that we have most confidence in the
12:18:09 17 fact that the people making these representations
12:18:28 18 can be trusted and those representations can be relied
12:18:30 19 on.

12:18:31 20 Q. Is there any other reason why their
12:18:35 21 reputation matter, other than the reasons you just
12:18:38 22 mentioned, or was that it?

12:18:56 23 A. Well, having well-known, reputable firms
12:19:06 24 as parties in the purchase agreements could also allow
12:19:17 25 to decrease complexity in terms of necessary

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12:19:40 1 processes, such as obtaining KYC source-of-wealth
12:19:51 2 information for these purchasers.

12:19:55 3 Q. And why does a VC, a venture capitalist
12:20:00 4 firm's, track record matter? Why is that a factor?

12:20:11 5 A. VCs with track record, in our view, could
12:21:16 6 be trusted and would, with a high degree of
12:21:30 7 probability, be able to better understand the nature
12:21:39 8 of the project that we were undertaking.

12:21:50 9 Q. Other than I think you mentioned
12:21:54 10 reputation, track record, brand name, experience in
12:21:58 11 this space, were there other factors -- and you said
12:22:02 12 those were the -- I'm just trying to make sure
12:22:05 13 I understood.

12:22:05 14 You said those were the factors, also
12:22:07 15 potentially personal relationships that you might have
12:22:09 16 had. Any other factors that I am missing that
12:22:14 17 Telegram considered in deciding the allocations in the
12:22:22 18 pre-sale round?

12:22:30 19 A. I believe there could be certain other
12:22:33 20 factors which include the fact that those purchasers
12:22:50 21 were only admitted to the allocation if -- to the
12:22:54 22 purchase -- private placement if they were
12:22:58 23 sophisticated, accredited investors, and high
12:23:11 24 net-worth individuals. Another factor I could think
12:23:17 25 of, for example, is if, after meeting or speaking or

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12:23:36 1 communicating in another way with a potential
12:23:40 2 purchaser, we were not able to get confident that the
12:24:04 3 purchaser, potential purchaser clearly understands the
12:24:15 4 nature of our project and its limitations, including
12:24:19 5 some of the limitations later reflected in the
12:24:33 6 purchase agreement and the appendices to the primer,
12:24:37 7 we would, with a higher degree of probability, decline
12:24:54 8 to admit such a potential purchaser to the private
12:24:59 9 placement.

12:25:00 10 Another example could be when we would,
12:25:26 11 during the process of defining the allocation, receive
12:25:38 12 certain rumors from the market that would indicate
12:25:41 13 that this potential purchaser did not fully understand
12:25:52 14 the nature of what we were doing or the limitations
12:25:59 15 imposed for the purchase agreement, we would, with
12:26:08 16 a very high degree of probability, cancel the
12:26:16 17 allocation of such a potential purchaser or, if this
12:26:24 18 allocation hadn't even been considered prior to that,
12:26:39 19 we would not pursue this opportunity related to such
12:27:18 20 purchaser in any way.

12:27:34 21 Q. And in terms of ensuring that these
12:27:36 22 initial purchasers were not buying the Grams to resell
12:27:40 23 them, why not just lock up the Grams, all the Grams
12:27:46 24 from being resold?

12:27:47 25 MR. DRYLEWSKI: Objection; form.

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12:31:52 1 restricting the ability of those Grams to be
12:31:56 2 transferred for resale as opposed to be transferred
12:32:00 3 for validation or use in applications or some other
12:32:06 4 use with respect to the blockchain?

12:32:08 5 Let me strike this and just lay
12:32:10 6 a foundation.

12:32:11 7 You're familiar that in blockchain
12:32:14 8 technology, are you not, that you can restrict the
12:32:16 9 transfer of tokens on blockchains for certain --
12:32:19 10 within certain parameters? Are you familiar with that
12:32:21 11 generally?

12:32:29 12 A. I understand that developers of some
12:32:34 13 blockchain projects may seek to do so.

12:32:36 14 Q. Okay. So why didn't Telegram seek -- why
12:32:40 15 isn't Telegram seeking to do so, to restrict the
12:32:43 16 ability of the initial purchasers in Stage A to
12:32:47 17 transfer the Grams, except for certain uses only?

12:33:11 18 A. Grams were designed to be a mass-market
12:33:20 19 currency, used for consumptive purposes. We were
12:33:35 20 hoping to build upon the ideas of older, decentralized
12:33:45 21 networks such as Bitcoin and Ethereum, and
12:33:54 22 significantly improve their speed, scalability and
12:34:02 23 ease of use, so that consumers that are currently
12:34:14 24 struggling with limitations existing in these older
12:34:24 25 networks that I just mentioned would be able to enjoy

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12:34:41 1 a more efficient service and achieve their goals in
12:34:51 2 a more efficient and user-friendly way so that,
12:34:59 3 as a result, the resulting cryptocurrency will --
12:35:07 4 the resulting cryptocurrency could achieve wider
12:35:17 5 adoption and be used in commerce and all sorts of
12:35:39 6 applications for a wide range of purposes.

12:36:06 7 We thought that given these
12:36:27 8 considerations, it was necessary to make sure that
12:36:44 9 consumers can interact with this new currency in the
12:36:56 10 similar way they interact with less efficient and
12:37:15 11 older blockchain networks. We believe that to achieve
12:37:30 12 these goals, it would not be beneficial to impose
12:37:48 13 limitations on the participants in the ecosystem that
12:37:59 14 are absent in other similar networks such as Bitcoin
12:38:09 15 and Ethereum.

12:38:10 16 Q. So my question was not about imposing
12:38:13 17 limitations on the participants in the ecosystem but
12:38:15 18 simply limitations on the ability of the initial
12:38:18 19 purchasers to transfer their Grams for sale as opposed
12:38:21 20 to giving them to mass markets for adoption for the
12:38:25 21 purposes you just described.

12:38:48 22 A. As I just mentioned, it was critical
12:39:04 23 to achieve a wide adoption for this new cryptocurrency
12:39:12 24 in order for it to have the utility and consumptive
12:39:27 25 use for consumers. Based on that, it was beneficial

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12:44:56 1 BY MR. TENREIRO:

12:44:56 2 Q. Maybe I should ask it this way: Is there
12:45:01 3 a belief -- was there a belief, when this
12:45:04 4 interrogatory answer was submitted, that Grams
12:45:07 5 would be worth \$3 to \$7 at some point?

12:45:10 6 MR. DRYLEWSKI: Objection to form.

12:45:12 7 Grams worth 3 to 7 -- I guess, what do you
12:45:16 8 mean Grams that would be worth that? In the
12:45:17 9 aggregate? All Grams? A Gram?

12:45:17 10 BY MR. TENREIRO:

12:45:19 11 Q. You wrote the answer; so what did you mean
12:45:22 12 there, "Grams worth approximately 3 to 7" --

12:45:26 13 MR. DRYLEWSKI: Okay, that's a different
12:45:27 14 question. Okay.

12:45:28 15 THE WITNESS: I think, to avoid confusion,
12:45:31 16 it is important to point out that it is not implied
12:45:34 17 here that one Gram will be worth \$3 to \$7.

12:45:41 18 BY MR. TENREIRO:

12:45:42 19 Q. Okay.

12:46:07 20 A. What is implied here is that after the
12:46:09 21 successful launch of the network as it is currently
12:46:19 22 contemplated, there will be a certain market price of
12:46:26 23 Grams formed by market forces.

12:46:45 24 Q. So it's whatever the price -- so if the
12:46:48 25 price, by market forces, is, I don't know, \$20, then

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12:50:45 1 Was the potential amount that you allocated to each
12:50:49 2 investor related to, you know, their ability to have
12:50:58 3 considerable disk space, computing power, network
12:51:02 4 bandwidth, as well as a continual commitment to
12:51:06 5 100 percent uptime?

12:51:08 6 MR. DRYLEWSKI: Objection; form.

12:51:44 7 THE WITNESS: As you know, we only
12:51:48 8 admitted high net-worth individuals and established
12:52:02 9 funds in private placement, and it was an inevitable
12:52:32 10 consequence of this that such individuals or funds
12:52:41 11 would be able to rent -- to afford to pay for the
12:53:07 12 computing power necessary in the validation process,
12:53:14 13 because, in my understanding, the cost of renting or
12:53:38 14 acquiring equipment for validation, although
12:53:43 15 considerable for an average person, can be regarded
12:53:52 16 as negligible compared to the amounts of funds
12:53:57 17 invested by each of the purchasers.

12:54:03 18 BY MR. TENREIRO:

12:54:03 19 Q. And the average person, if the
12:54:06 20 TON Blockchain launches, will be able to buy Grams
12:54:09 21 in any quantity, even in fractional quantities, right?

12:54:17 22 MR. DRYLEWSKI: Objection; form.

12:54:22 23 THE WITNESS: This is dependent on several
12:54:25 24 factors but this is the plan.

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13:44:13 1 would be used as a number required for the network
13:44:34 2 to function, unlike in some maybe other competing
13:44:41 3 blockchain projects; so there was no way to
13:44:49 4 definitively answer that question.

13:44:53 5 MR. TENREIRO: Okay. Just a couple more
13:44:55 6 questions and then we can -- just to finish this
13:44:57 7 topic, if you don't mind?

13:44:59 8 MR. DRYLEWSKI: Sure.

13:44:59 9 BY MR. TENREIRO:

13:45:00 10 Q. I think you mentioned at some point today,
13:45:02 11 but correct me, has Telegram completed all of the
13:45:05 12 tests on the TON Blockchain for the TON Blockchain?

13:45:09 13 MR. DRYLEWSKI: Objection; form.

13:45:35 14 THE WITNESS: As I previously indicated,
13:45:39 15 by October 2019 we concluded the vigorous testing of
13:46:01 16 the core components of the TON Blockchain that
13:46:16 17 we considered necessary for the project to be able to
13:46:31 18 be launched as a decentralized network. At the same
13:46:59 19 time, we, given the change of the deadline date for
13:47:08 20 this project, are using this additional time to work
13:47:33 21 on a few nice-to-have features. In addition, we keep
13:48:07 22 reviewing the feedback from the open-source community
13:48:21 23 security researchers that we previously incentivized
13:48:34 24 to help us with the testing process.

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14:50:09 1 Q. Can you tell me who these individuals or
14:50:12 2 entities are, these open-source community security
14:50:18 3 researchers that you had previously incentivized?

14:50:29 4 A. I think that in September last year
14:50:35 5 we launched a contest for smart contract engineers and
14:50:54 6 security researchers that promised a prize fund of
14:51:08 7 up to \$400,000 to be distributed among the winners in
14:51:24 8 this competition. As a result, we had a lot of people
14:51:48 9 from the industry looking at the code of the
14:51:53 10 TON Blockchain, testing how the TON Blockchain and
14:52:07 11 its virtual machine work, and seeing whether they
14:52:14 12 could find any security issues with the project.

14:52:26 13 Q. And these people are still doing some of
14:52:28 14 that work is what you're saying?

14:52:31 15 MR. DRYLEWSKI: Objection; form.

14:52:42 16 THE WITNESS: The prize budget that we
14:52:52 17 intended to be distributed among security researchers
14:53:04 18 which would be able to alert us to critical issues
14:53:19 19 that they may find in the code of the TON Blockchain
14:53:34 20 is still there and we have indicated publicly that
14:53:43 21 we continue accepting and rewarding individuals that
14:53:51 22 could help us test the network in the way I just
14:54:10 23 described.

14:54:11 24 MR. TENREIRO: Let's look at Exhibit 73,
14:54:14 25 please. We just marked it. It's 17-332.

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17:12:47 1 from other sources publicly available for anybody.

17:12:58 2 Q. And a moment or two ago you mentioned that
17:13:01 3 in October, Telegram disclosed certain financial
17:13:06 4 information. Was that information emailed directly
17:13:10 5 to the private placement purchasers, or how was it
17:13:17 6 disclosed to them?

17:13:21 7 A. Yes, I believe it was part of the update
17:13:24 8 we sent to all of the purchasers by email.

17:13:27 9 Q. And is there is any current plan in place
17:13:33 10 by Telegram in terms of what sort of financial
17:13:37 11 information about itself it might disclose after the
17:13:41 12 launch of the TON Blockchain?

17:14:01 13 A. In our view, Telegram's obligations under
17:14:09 14 the purchase agreement, for the most part, will be met
17:14:32 15 at the time of launch, meaning that after the launch
17:14:36 16 of the TON Blockchain, Telegram will no longer be
17:14:39 17 actively developing TON and, as such, it is not
17:15:08 18 obvious why purchasers who have received Grams in the
17:15:14 19 event of a successful launch of the TON Blockchain
17:15:23 20 would need any information --

17:15:23 21 Q. So -- I'm sorry.

17:15:34 22 A. -- from Telegram Messenger other than the
17:15:41 23 information that will be already available from public
17:15:45 24 sources.

17:15:46 25 Q. Sorry. So my question was not about plans