

Domestic Crypto

Decoding cryptocurrency within the realm of matrimonial disputes.

1

Agenda

- 1) Cryptocurrency
 - 1) What is it?
 - 2) Why is it?
 - 3) Who cares?
- 2) Records and Availability
- 3) You and Your Practice

2

Dorothy Haraminac, MBA, CFE, MAFF, PI

Phone: (346) 400-6554
Email: dorothy.haraminac@greenvetsLLC.com

Testifying Expert on bitcoin asset & cryptocurrency tracing	Matrimonial Litigation
	Civil Disputes & Criminal Defense
	Training for Law Enforcement
Consulting and testimony in civil and criminal litigation	Oil & Gas Operator Disputes
	IP and Trade Secret Theft
	Crypto Defense
Consulting for digital & physical asset security	Data Privacy Compliance & Breach Investigations
	Business Email Compromise Investigations
	Risk Assessments and Due Diligence for M&A
	Pen Testing, Ethical Hacking, & Security Consultation

3


What is it?
Why is it?
Who cares?

A thing with

- 1) a **value** and
- 2) a **tax liability** and
- 3) an **additional value/loss.**

Do you suspect your spouse holds cryptocurrency, including NFTs? Please describe.

Do you hold cryptocurrency, including NFTs? Please describe.



You, The Attorney

4

Tax Records

- Form 8938 (Foreign Assets)
- Form 8949 (Capital Gains/Losses)
- Form 8283 (Sch. A Contributions)
- Form 1099 Misc (for payments/receipts)

Where are the records?
(Part 1 of 3)

5

Form 1040

Department of the Treasury—Internal Revenue Service (99)

2020

OMB No. 1545-0074

IRS Use Only—Do not write or staple in this space.

Filing Status

☐ Single ☐ Married filing jointly ☐ Married filing separately (MFS) ☐ Head of household (HOH) ☐ Qualifying widow(er) (QW)

Check only one box. If you checked the MFS box, enter the name of your spouse. If you checked the HOH or QW box, enter the child's name if the qualifying person is a child but not your dependent ▶

Your first name and middle initial

Last name

Your social security number

If joint return, spouse's first name and middle initial

Last name

Spouse's social security number

Home address (number and street). If you have a P.O. box, see instructions.

Apt. no.

Presidential Election Campaign

City, town, or post office. If you have a foreign address, also complete spaces below.

State

ZIP code

Check here if you, or your spouse if filing jointly, want \$3 to go to this fund. Checking a box below will not change your tax or refund.

Foreign country name

Foreign province/state/country

Foreign postal code

☐ You ☐ Spouse

At any time during 2020, did you receive, sell, send, exchange, or otherwise acquire any financial interest in any virtual currency?

☐ Yes ☐ No

Standard Deduction

Someone can claim: ☐ You as a dependent ☐ Your spouse as a dependent

☐ Spouse itemizes on a separate return or you were a dual-status alien

Age/Blindness

You: ☐ Were born before January 2, 1956 ☐ Are blind

Spouse: ☐ Was born before January 2, 1956 ☐ Is blind

(c) 2022 GreenVets, LLC

6

(c) 2022 GreenVets, LLC

2

Old-Fashioned
Financial Records

- Bank statements
- Investment statements
- Credit card statements
- Employment agreements (incl. options, 83b?)

Where are the records?
(Part 2 of 3)

7

Crypto Transaction
Records

- From the wallet, exchange, AND web 3 (defi) service provider
- Must include all addresses generated and transaction IDs
- Must include USD deposits and withdrawals
- Not self-created or public site screenshots
- Public blockchain records (not sufficient as a discovery response)

Where are the records?
(Part 3 of 3)

8

Is there a crypto account? Yes.

CHECKCARD 03/01 COINBASE CHEAPSIDE	⊖	[P]	-350.00	2,208.04
CHECKCARD 03/01 COINBASE CHEAPSIDE	⊖	[P]	-1.99	2,558.04
CHECKCARD 03/01 COINBASE CHEAPSIDE	⊖	[P]	-1.94	2,560.03
CHECKCARD 03/01 COINBASE CHEAPSIDE	⊖	[P]	-1.00	2,561.97
CHECKCARD 03/01 HUGS & DONUTS HOUSTON TX	⊖	[P]	-18.01	2,562.97
CHECKCARD REVERSAL 03/01 COINBASE CHEAPSIDE	⊕	[P]	1.00	2,580.98

(c) 2022 GreenVets, LLC

9

Do we need to trace these? Yes.

You can use this transaction report to inform your likely tax obligations. For US customers, Sells, Converts, and Rewards Income, and Coinbase Earn transactions are taxable events. For final tax obligations, please consult your tax advisor.

Transactions									
User									
REDACTED@youwish.c58b6e546879fa92b424f0776									
Timestamp	Transaction Type	Asset	Quantity	Price at USD	Subtotal USD	Fees USD	Total (including fees) USD	Notes	
2019-05-31T05:08:25Z	Buy	ETH	0.193	248.5	48.01	50	1.99	Bought 0.19320207 ETH for \$50.00 USD	
2019-05-31T05:09:03Z	Send	ETH	0.193	247.3				Sent 0.19320207 ETH to 0x9a0A34df1692f73e4aa8347C734d092E88652df7	
2019-05-31T05:28:07Z	Convert	BCH	0.296	419.2	122.8	123.9	1.11	Converted 0.29633333 BCH to 0.19320207 ETH	
2019-05-31T05:34:15Z	Sell	LTC	4.571	105.3	481.2	474	7.47	Sold 4.57099858 LTC for \$474.02 USD	
2019-05-31T11:47:12Z	Receive	ETH	1.519	254.5				Received 1.51883576 ETH from an external account	
2019-05-31T11:54:22Z	Convert	ETH	1.519	254.5	383.2	386.5	3.29	Converted 1.51883576 ETH to 20.42256999 REP	
2019-05-31T11:55:13Z	Send	REP	20.42	18.76				Sent 20.42256999 REP to 0x9a0A34df1692f73e4aa8347C734d092E88652df7	

10

Address 0

This address has transacted 3,338 times on the Bitcoin blockchain. It has received a total of 81,432.09109296 BTC (\$3,243,462,174.90) and has sent a total of 81,432.0910984 BTC (\$3,243,462,173.58). The current value of this address is 0.00003312 BTC (\$1.32).

Address

1XPtGdRrN8RfNznWCdsoD9KZatrVH4

Format

BALISE (P2PKH)

Transactions

3,338

Total Received

81432.09109296 BTC

Total Sent

81432.0910984 BTC

Final Balance

0.00003312 BTC

Activity

Transactions 0

Almost ALL Transactions

Hash

a1075db55d416d3ca199f5b6084e2115b9345e16c5cf302fc80e9d...

2010-05-22 13:16

1XPtGdRrN8RfNznWCdsoD9KZatrVH4

150.000000000 BTC

179kEw2mdSavVnyYg6RiXUQKwKxvF...

10000.000000000 BTC

11

Bitcoin Pizza Transaction

View information about a bitcoin transaction

Transaction ID

a1075db55d416d3ca199f5b6084e2115b9345e16c5cf302fc80e9d5bf5d48d

Received From Address

1XPtGdRrN8RfNznWCdsoD9KZatrVH4

Receiving Address

179kEw2mdSavVnyYg6RiXUQKwKxvFyQ

Amounts

10,000 BTC

Summary

Size

23620 (bytes)

Weight

94480

Received Time

2010-05-22 18:16:31

Included In Blocks

57043 (2010-05-22 18:16:31 + 0 minutes)

Confirmations

436656 Confirmations

Visualize

View Tree Chart

Inputs and Outputs

Total Input

10,000.99 BTC

Total Output

10,000 BTC

Fees

0.99 BTC

Fee per byte

4,191.363 satB

Fee per weight unit

1,047.841 satWU

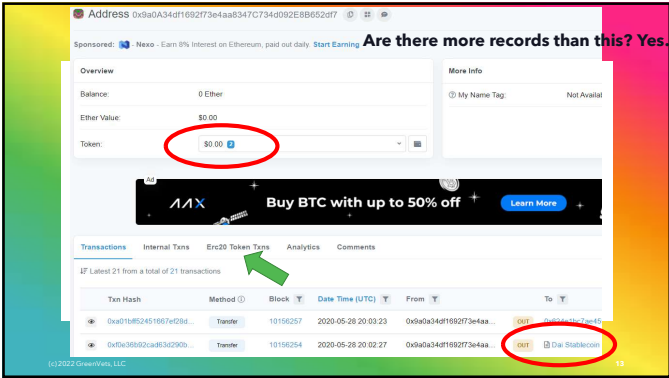
Estimated BTC Transacted

10,000 BTC

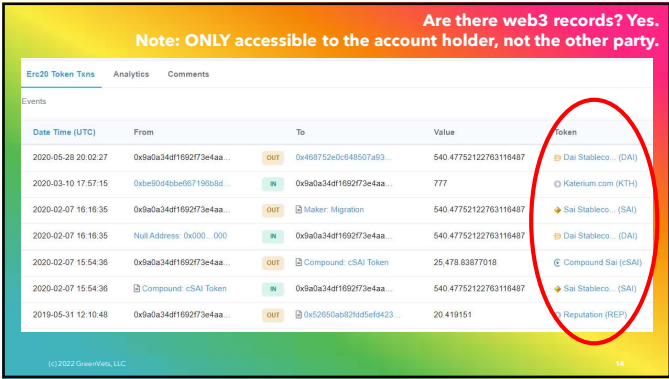
Scripts

Show scripts & coinbase

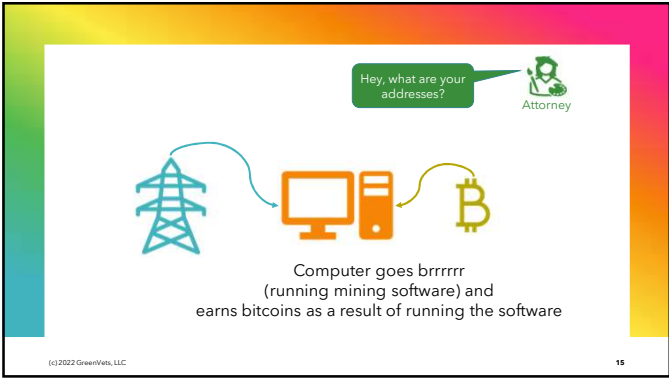
12



13



14



15

Your keys,
your coins.

Wallets

- + A group of addresses* accessed by the same private key.
- + Can you identify wallets on the blockchain? **Yes-ish.**
- + Do wallets store crypto? **Nope. Wallets store access.**

Software

Hardware

Web App

Phone App

Paper

*Addresses look like long strings of numbers and letters; they identify locations on a blockchain.

16

ADDRESS WALLET EXCHANGE

Exchange
Buy and Sell

Wallet
Send and Receive

Address
Location used in Transactions

Address
Location used in Transactions

Address
Location used in Transactions

Address
Location used in Transactions

Address
Location used in Transactions

Address
Location used in Transactions

Address
Location used in Transactions

Address
Location used in Transactions

Stores the access to the addresses.
Stores your **private key**.

More than one crypto per wallet.
More than one address per wallet.
Allows sends and receipts of crypto.
Can be recreated from **seed words**.

17

ADDRESS WALLET EXCHANGE

Exchange
Buy and Sell

Wallet
Send and Receive

Address
Location used in Transactions

Address
Location used in Transactions

Address
Location used in Transactions

Address
Location used in Transactions

Address
Location used in Transactions

Address
Location used in Transactions

Address
Location used in Transactions

Address
Location used in Transactions

Never ask for Private Keys or Seed Words in Discovery, without proper security.

Can be recreated from **seed words**.

18

(c) 2022 GreenVets, LLC

6

Not your keys, not your coins.

Exchanges

- + Third-parties that allow buying and selling of crypto (\$\$\$).
- + Can you identify exchanges on the blockchain? **Yes-ish.**
- + Do exchanges store crypto? **Nope-ish.**
- + Can you identify exchanges in bank records? **You betcha.**

Binance

Gemini

Kraken

Coinbase

Mt. Gox

Huobi

And many more!

(c) 2022 GreenVets, LLC

19

19

EXAMPLE EXCHANGES

LOGOS ARE COPYRIGHT THEIR OWNERS

changelly

BITTREX

POLONIEX

kraken

CEX·IO

Huobi

KuCoin

BINANCE

coinbase

GEMINI

(c) 2022 GreenVets, LLC

20

20

Is this sufficient? No.

9:15

Wallet

Account 2

0x74397EbC0E07709E4dF3c9FFB9d9Af2af18EE0cD

0 ETH

0 FTM

9:15

Wallet

Account 2

0x74397EbC0E07709E4dF3c9FFB9d9Af2af18EE0cD

0.99988 ETH

995 KIRBY

9:16

Wallet

Account 2

0x74397EbC0E07709E4dF3c9FFB9d9Af2af18EE0cD

1.46455 FTM

Did the expert search more than one blockchain?

Attorney

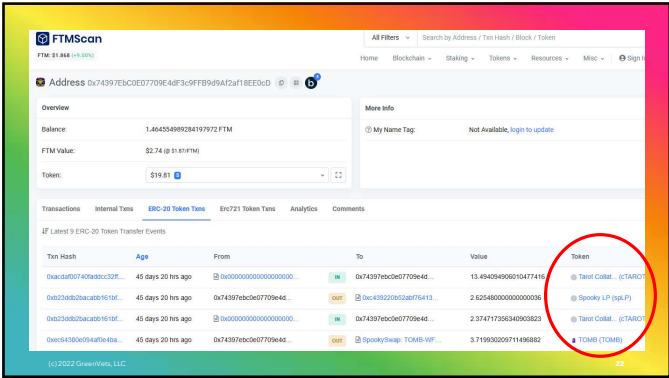
(c) 2022 GreenVets, LLC

21

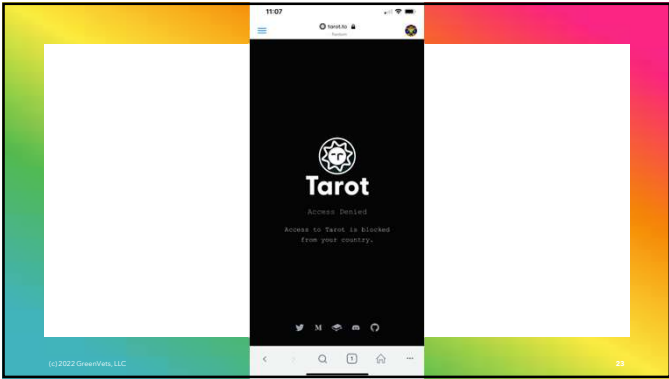
21

(c) 2022 GreenVets, LLC

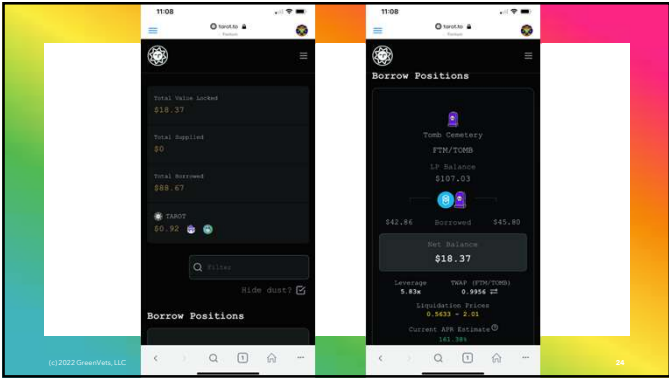
7



22




23



24

Rare Hashmasks Digital Artwork Sells for \$650K in Ether

"The piece itself is chaotic, yet ordered. It invokes a concept of biblical dualism with the demon and halo," said the buyer.



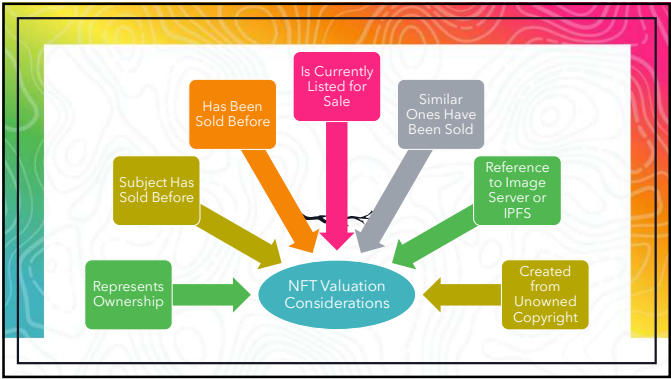
<https://www.coindesk.com/artwork-ethereum-hashmask-650k>

Sold for 420 ETH

"I also liked that there's a **transparent** copyright policy that gives the owner freedom over their non-fungible tokens, whereas most NFT projects have a license that restricts the buyer from commercializing their NFT."


© 2022 GreenVets, LLC presented to AAAP/BVIR National Diverse Conference

25




26


Fungible vs. Non Fungible



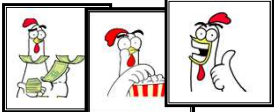
1 coin = \$50



5 coins = \$250



1 NFT = \$50

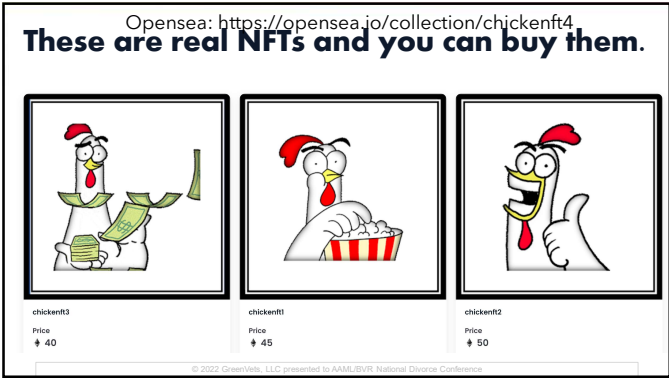


3 NFTs = \$???

27

(c) 2022 GreenVets, LLC

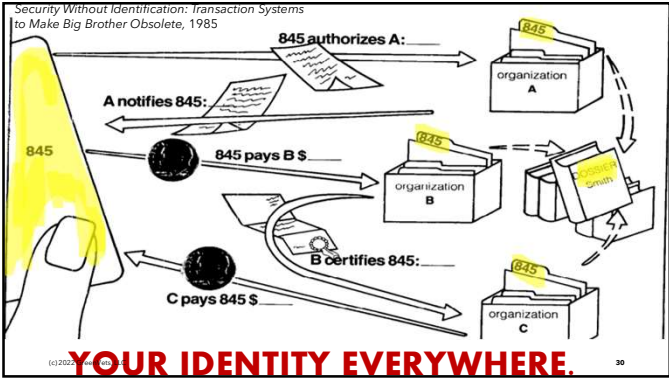
9



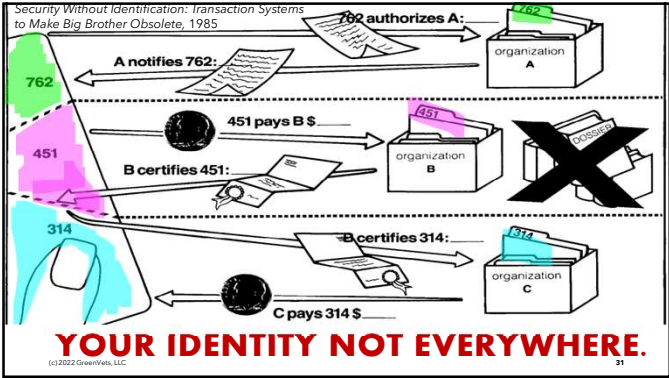
28



29



30



31

1993/6 – ENCRYPTION DEWEAPONIZED

Not without a fight.

1991 – Phil Zimmerman and Hal Finney create PGP, encryption that uses private keys to protect information. The NSA wants access.

1993 – Clinton drops the federal investigation into PGP following the release of PGP's code to the world (books on planes)

1996 – Encryption, some of it, is moved off the munitions list.

32

CYPHERPUNKS MANIFESTO

"We are defending our privacy with

- **cryptography**,
- with **anonymous mail forwarding** systems,
- with **digital signatures**, and with
- **electronic money**...

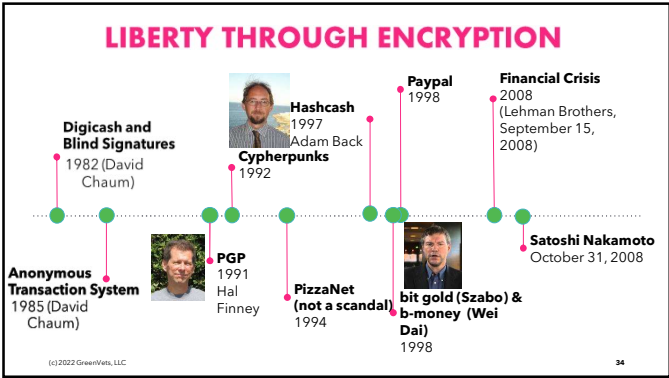
We cannot expect governments, corporations, or other large, faceless organizations to grant us privacy out of their beneficence...

We must defend our privacy."

- Eric Hughes

EFF logo plain, 6 August 2013. Author EFF. <https://commons.wikimedia.org/wiki/File:EFF-logo-plain.svg>
CryptoPartyHandbook cover, <https://www.cryptoparty.in/learn/handbook>

33



34

From: Satoshi Nakamoto <satoshi<at>vistomail.com>
Subject: Bitcoin P2P e-cash paper
Newsgroups: gmmane.comp.encryption.general
Date: Friday 31st October 2008 18:10:00 UTC (over 8 years ago)

I've been working on a new electronic cash system that's fully peer-to-peer, with no trusted third party.

The paper is available at:
<http://www.bitcoin.org/bitcoin.pdf>

The main properties:
Double-spending is prevented with a peer-to-peer network.
No mint or other trusted parties.
Participants can be anonymous.
New coins are made from Hashcash style proof-of-work.
The proof-of-work for new coin generation also powers the network to prevent double-spending.

Bitcoin: A Peer-to-Peer Electronic Cash System

Abstract. A purely peer-to-peer version of electronic cash would allow online payments to be sent directly from one party to another without the burdens of going through a financial institution. Digital signatures provide part of the solution, but the main

WHAT IS BITCOIN?

A system with special characteristics that allows transactions.

In the same way that your computer is required to run an application, the blockchain is required to use bitcoin.

(c)2022 GreenVets, LLC 35

35

NAKAMOTO AND FRIENDS

Hal Finney (PGP), Wei Dai (b-money & Crypto++), Nick Szabo (bit gold), Adam Back (hash cash & DoS prevention). A smiley face icon is placed between Hal Finney and Wei Dai.

Hal Finney Obituary - The Santa Barbara Independent, <https://www.independent.com/obits/2014/09/02/hal-finney/>
Nick Szabo, Nick Szabo, Global Financial Assets, on bitcoin, blockchain and the benefits of smart contracts, <https://www.youtube.com/watch?v=vXCOtTeQAo>, Apr 2016
Adam Back, Adam Back's home page (cypherspace.org), <http://www.cypherspace.org/adam/>

(c)2022 GreenVets, LLC 36

36

37

[illegible]

38

[illegible]

39

[illegible]

NOT A CERTIFIED OPINION

Not to be published in official reports. CA "prohibits courts and parties from citing or relying on opinions not certified."

DESOUZA VS. DESOUZA

California Court of Appeals (NOV 2020, case began DEC 2012)

Breached fiduciary duty (pg. 7, affirmed pg. 17)

Withheld information about his bitcoin investments during discovery

Failed to disclose bitcoins were tied up in bankruptcy

Failed to produce & falsely denied having docs related to bitcoins

Failed to disclose cryptocurrency generated by forks

Failed to file a bankruptcy claim regarding U.S. dollars

Ordered to transfer bitcoins and other crypto - affirmed (pg. 17)

Ordered to pay attorneys' fees and costs - affirmed (pg. 17)

<https://www.courts.ca.gov/opinions/nonpubs/A156311.PDF>
<https://webappnps.dfo.org/cu/CaseloadInfo.dfo?CaseNumber=FD312778498&SessionID=04EA795800FE7567DA8E2327375CB828E351923A>
(c) 2022 GreenVets, LLC

40

40

Why It Matters

It is Real.

It's used to buy things.

It's used as collateral.

It's used as a loan.

It's legal tender in some countries.

It was legal tender in Ohio (briefly).

It has a Value.

Can be **easily** traded for U.S. dollars.

Generates other assets (forks and airdrops).

Transfer can generate a loss.

Generates capital gains and losses.

Recognized as a taxable thing by the IRS.

It matters Early.

\$350,000 total other assets

\$50,000,000 in crypto

Motions for Attorneys Fees

Discovery Requests


Fiduciary Duty Issues

Difficult Characterization

(c) 2022 GreenVets, LLC

41

41



Civil Complaint

Accuse the opposing expert of a crime

Accuse the opposing expert of tortious acts

Client attacks on the opposing expert (DDoS, malware spam)

Expert spends a lot of time with the client to "understand"

Worrisome Objections

Violation of privacy

Overburdensome

Other party has equal access

Outside the dates of marriage/relationship

Calls for expert opinion

Vague definitions

(c) 2022 GreenVets, LLC

42

42

(c) 2022 GreenVets, LLC

14

Common Myths (These are false statements)

Cryptocurrency is stored on devices.

Wallets and records are private info.

People are honest.

I don't have to disclose crypto.

Forks, airdrops, and mining rewards are gifts.

All transactions are on the blockchain.

43

Common Myths BUSTED (These are true.)

Cryptocurrency is stored on the blockchain.

Wallets and records are not any more private than bank records.

People are rarely completely honest.

I should disclose crypto.

Forks, airdrops, and mining rewards are usually income.

All transactions are NOT on the blockchain.

44



Expert Red Flags

Zero financial forensics expertise (e.g. MAFF, CFE, or CFF)

Hired to explain, but then attempts to value.

Crypto expertise is "I've read about it" or "I have it".

Has a crypto credential and nothing else.

- Review credentials for education and exam
- Needs financial expertise for tracing and valuation
- Crypto credentials are not substitutes for financial expertise and **MAY NOT** convey appropriate knowledge and skills


45

(c) 2022 GreenVets, LLC

15

Maybe you don't need an expert?

- No pattern of non-disclosure.
- Assets are easily divisible.
- Detailed tax filings exist since 2014.
- Clients are amicable and happy with the division.
- Both clients are tech-savvy enough to self-manage assets.
- May still need an asset advisor or manager (e.g. family office or cousin-in-law?).



46



Questions?

Security Consultation
Pen-Testing
Corporate Training
Litigation Support
Diligence & Economics
Cryptocurrency, Blockchains, and more

Dorothy Haraminac
Dorothy.Haraminac@GreenvetsLLC.com
www.GreenvetsLLC.com
(346) 400-6554

47
