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DECLARATION OF SAMUEL JOHNSTON

PURSUANT TO 28 U.S.C. § 1746

I, Samuel Johnston, hereby state that I have personal knowledge of the facts set forth below and am competent to testify about them. If called as a witness, I could and would testify as follows:

1. I am over 18 years old. I live in Kansas City, Kansas.

2. I am familiar with the process of bitcoin mining, and was looking into it on the internet as early as 2010 to 2011. As a result of my interest, I got in touch with Sonny Vleiseides using Skype around March 2012. I then purchased bitcoin mining equipment from BF Labs, Inc. ("Butterfly Labs"). I ordered its FPGA mini-rig and later upgraded to its 65 nm ASIC mini-rig.

3. I became employed with Butterfly Labs through my relationship with Mr. Vleiseides in June 2013 and worked there until November 2013.

4. During my time at Butterfly Labs, I worked from its premises located at 10770 El Monte Street. For a time, I was working in the shipping room, and in August 2013, I was transferred to a new role as Head Burn-in Technician. In that role, I was in charge of overseeing testing of the bitcoin mining machines that Butterfly Labs sold to consumers.

5. At the time I started working at Butterfly Labs, I was aware that the company had made statements to consumers that its bitcoin mining machines were tested on the bitcoin testnet, which meant that the machines would not produce any bitcoin value while being tested. From the time I started, I observed that the machines were not in fact tested on the testnet. Instead, I found that they were mining with the machines on the bitcoin network.

6. Butterfly Labs referred to the process of testing customer equipment by mining on the bitcoin network as the burn in of the machines because the first ASIC machines became very hot after being tested on the bitcoin network.

7. While I was employed, with the exception of a two-to-three-week period, all tested machines were set up to mine bitcoins in the Eclipse Mining Consortium ("EMC"). I believe that EMC was owned by Josh Zerlan. I was told by Mark Goodpasture at one point that the mined bitcoins generated by the burn in process would be put into a fund to benefit employees or charity. However, I later learned from discussions with Mark and other personnel that there was no such charity or employee fund. Instead, the burn in process was set up to mine bitcoins for the company's benefit.

8. When I asked Mark why the machines were not tested on the testnet, he responded that there was no point in doing so because the company would not make any money from the testing. I understood, based on my conversations with Mark, that he received direction from Sonny to test the machines in a way that generated bitcoins. I was present in at least one brief meeting with Sonny and Mark in which it was suggested that the machines be tested on the testnet, but Sonny and Mark agreed the company would not do so. I understood that the sole reason for burning in the machines rather than using the testnet was to make money.

9. Bitcoins generated from burning in customer equipment went to Butterfly Labs accounts. Initially, the machines burned into the EMC pool. At various times, the EMC pool would go down. As a result, I set up two additional address for bitcoin wallets, including one on my personal computer and another on blockchain.info. When the machines were tested, they generated bitcoins though a public pool called eligius.st, and the bitcoins were sent to those two wallets. My personal computer containing one of the bitcoin wallets was later stolen.

10. Butterfly Labs' mining operation using equipment to be shipped to customers was powerful. For example, in August 2013, the machines being tested were collectively hashing at a rate of 12 terrahashes per second (TH/s). At that time, this comprised approximately 3% of the

hash rate of the entire bitcoin network. Based on how the bitcoin network operates, the higher the hash rate, the higher the mining difficulty level becomes. Butterfly Labs' mining operation therefore made it more difficult for other miners on the bitcoin network to mine bitcoins.

11. In or around September 2013, as part of my job duties, I began setting up separate burn in rooms for testing the bitcoin mining machines before shipping. I set up three rooms at the El Monte premises. One of those rooms was located in a trailer in the back of the building. Another one of the rooms was located in the shipping area to which the trailer was attached, and another was accessible by the main hallway and attached to the packaging area.

12. The goal was to maximize the number of units that could be burned in at a time. Mark oversaw my duties relating to burning in machines. Mark reported to Sonny about the burn in process, including in conversations I witnessed. I also became aware from conversations that Jody Drake and an individual named Nasser were aware that the machines were being burned in.

13. Every machine sent to consumers was burned in before shipment. Mark instructed me to always have as many machines burning in as possible. When production of the mining machines was slow, we would keep machines mining all day rather than shipping them. Machines were burned in for far longer than was necessary to test them. Generally, a machine only needs to tested for ten to 30 minutes to be tested properly.

14. At times, we would have machines burning in for two days before shipment, in order to generate additional bitcoins. If we reached the end of the day without additional machines ready to replace them, we held back shipment to keep them burning in all night, and then would ship them the next day. When production was high, the machines were burned in for shorter periods of time.

15. From my work in the shipping room and the burn in rooms, I observed the pace at which the mining machines were produced and sent. When I arrived in June 2013, Butterfly Labs had produced some Jalapeno 65 nm machines, but did not have working parts to mass produce the higher powered 65 nm machines. I estimate that Butterfly Labs would ship out 30-50 units a day when I started, about 100 a day by the time I started constructing the burn-in rooms in September, and about 900 by the time I completed the burn in rooms about three weeks later. At the beginning of this time period, Butterfly Labs was shipping Jalapenos, and it started shipping "singles" in July, and mini-rigs in September. The company shipped one rig in a week, which was celebrated as a big deal at the company and shipped three mini-rigs by the time I left the company. The company also sent nine machines off to Netsolus, a data center, which operated the machines on behalf of Butterfly Labs customers.

16. ASIC 65 nm mini-rigs started shipping in the fall of 2013. The mini-rigs had been advertised as a 1.5 TH/s machine with 1,500 watt power consumption. However, Butterfly Labs was unable to produce a machine with those specifications. Instead of sending single 1.5 TH/s machines, Butterfly Labs shipped customers who had pre-ordered that machine three separate 500 GH/s machines with 2,400 watt power consumption. Also, based on what I observed from testing, the 500 GH/s machines hashed at a rate of 460 to 490 GH/s. Because the ASIC mini-rigs had less computing power when broken up into components and consumed more power, consumers were receiving a product that was less powerful and would generate fewer bitcoins than they expected.

17. The three supposed 500 GH/s machines were shipped separately and at different times. Butterfly Labs would ship the first part to a large number (and possibly all) waiting

customers, and then send each of the customers the second component, and then the third after all customers had received the second component.

18. The ASIC 65 nm mini-rigs came with a Nexus 7 computer tablet that was pre-loaded with Butterfly Labs' EZ Miner software. Customers had to set up the mining software in order to operate their machines. However, the default setting was to mine on the EMC pool. As a result, the bitcoins mined by customers who incorrectly set up the machine and software went to EMC rather than the customer. Butterfly Labs personnel, including Mark were aware that this was happening.

19. I purchased an FPGA mini-rig in May 2012, and upgraded it to a 65 nm ASIC mini-rig in July 2012 by trading it in when the mini-rig started shipping and paying an additional $15,000. I was not satisfied with the 65 nm ASIC mini-rig. Instead of coming as one machine, it came as three separate 400 to 500 GH/s machines in separate boxes with separate power supplies. As a result, it consumed six to seven times more power than advertised. I was one of the first customers to get the mini-rig. The first machine arrived in July 2013, and then I had to wait for all of the other customers in the queue to get their first machine before I got the second machine. I did not receive the final machine until sometime in September or October 2013. Due to the delay, it also mined far fewer bitcoins than I expected. Even being one of the first customers to receive the machine, I barely recouped the amount I paid.

20. The company began taking pre-orders for the Monarch 28 nm machine in August 2013, but had not fulfilled all of the pre-orders for the 65 nm machines. Someone on the management team explained that one reason that the company was taking pre-orders for the 28 nm machine was so that it could upgrade customers awaiting the 65 nm machine to the Monarch,

which would mean that the company would not have to produce or ship a 65 nm machine to that customer.

21. I was terminated from the company in November 2013 because my laptop, which contained bitcoins mined from burning in customer machines was stolen. When I left the company, Butterfly Labs had not yet built a prototype of the machine. As far as I could tell, the company had only created a mock-up of what the machine would look like.

Pursuant to 28 U.S.C. § 1746, I declare under penalty of perjury that the foregoing is true and correct.

Executed this Friday day of September, 2014, in Kansas City, Kansas.

Samuel Johnston