

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

\_\_\_\_\_  
STEVEN D. NERAYOFF,

-X

Plaintiff,

-against-

COVINGTON & BURLING LLP

Defendant.  
\_\_\_\_\_

-X

**To the above-named defendants:**

You are hereby summoned to answer the Complaint in this action and to serve a copy of your Answer, or, if the Complaint is not served with this Summons, to serve a Notice of Appearance, on the Plaintiff's attorneys within twenty (20) days after service of this Summons, exclusive of the day of service, or within thirty (30) days after service is complete if this summons is not personally delivered to you within the State of New York. In case of your failure to answer, judgment will be taken against you by default for the relief demanded herein.

Dated: August 31, 2024

SALTA & ASSOCIATES, PC  
Attorneys for Plaintiff



\_\_\_\_\_  
Romeo Salta, Esq.  
630 9th Avenue, Suite 405  
New York, NY 10036  
(917) 562-3347

To:

Covington & Burling LLP  
620 8th Avenue  
New York, NY 10018

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

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STEVEN D. NERAYOFF,

Plaintiff,

Index No.

**VERIFIED COMPLAINT**

COVINGTON & BURLING LLP,

Defendant.

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The Plaintiff, STEVEN D. NERAYOFF, by his counsel, Salta & Associates, P.C., as and for his complaint against the defendant, COVINGTON & BURLING LLP, alleges the following:

1. At all times hereinafter mentioned, the Plaintiff, Steven D. Nerayoff, was a resident of Nassau County, State of New York.

2. At all times hereinafter mentioned, the Defendant, Covington & Burling, LLP, is a national law firm with offices in the County of New York, State of New York, and is a registered foreign limited liability partnership organized under the laws of the District of Columbia.

**INTRODUCTION**

3. The Plaintiff is an attorney, inventor and the founder and Chief Executive Officer (“CEO”) of Alchemist Creations, LCC (“Alchemist”), a consultancy, accelerator and investment firm for high-potential blockchain companies and of Maple Ventures LLC (“MV”). Mr. Nerayoff holds 46 U.S. and international patents, primarily in the field of artificial intelligence, autonomous vehicles, and Smart Cities. Mr. Nerayoff, while at Ethereum, invented the “Utility Token” and a structured method for selling these new digital assets to the public in what became known as the “Initial Coin Offering” (“ICO”) and created the first “Security Token” or “Tokenization” and Security Token Offering (“STO”) while at tZERO.

4. Mr. Nerayoff's work with the Ethereum blockchain, which resulted in his invention of the Utility Token and ICO, has been publicly acknowledged in Camilla Russo's The Infinite Machine and Laura Shin's the Cryptonians, as Mr. Nerayoff's innovations allowed Ethereum and thousands of other tokens to be legally sold and traded thus allowing the Crypto arena to flourish.

5. This is a legal malpractice case against the defendant law firm that was retained by the Plaintiff to represent him in a federal criminal matter. The Plaintiff retained the defendant on or about September 25, 2019 in connection with his September 19, 2019 arrest in the matter of United States v. Steven Nerayoff and Michael Hlady, Case No. 19-M-830 in the Eastern District of New York. The complaint filed in that matter charged the Plaintiff with Hobbs Act Extortion, Hobbs Act Extortion Conspiracy, Transmission of threats in interstate commerce and Conspiracy to so transmit, for plaintiff's business dealings with a Seattle based technology company, Storm X.

6. The retainer agreement entered into between the Plaintiff and the Defendant was for the Defendant to provide pre-indictment legal services. Annexed hereto as **Exhibit A** and made a part hereof is the retainer agreement.

7. The Plaintiff was factually innocent of the charges for which he was arrested, and he presented evidence of his innocence to the Defendant. Among the evidence presented were videotapes of the Plaintiff's negotiations with the alleged victims and emails and messages between the Plaintiff and his alleged victims which clearly established that his dealings with the alleged victims in the criminal case were entirely lawful. Annexed hereto as **Exhibit B** are

Email communications with the Defendant and its staff referencing videos and other material uploaded to the Defendant's law firm shared directory.

8. Notwithstanding indisputable evidence of the Plaintiff's absolute innocence, Alan Vinegrad, a partner in and employed by the Defendant, advised the Plaintiff not to meet with or share this information with the Federal Prosecutors handling his case. As a result, on January 10, 2020 the Plaintiff was indicted by a grand jury in the Eastern District of New York despite the fact that he was factually and legally innocent. The Defendant withdrew from their representation of the Plaintiff shortly thereafter.

9. The Plaintiff spent the next three years and in excess of \$1,000,000.000 defending himself from the indictment that could have been staved off had the Defendant presented the clearly exculpatory evidence to the prosecutors in the fall of 2019.

10. In June of 2022, the Plaintiff's then attorneys began a dialogue with prosecutors in the Eastern District of New York in an attempt to establish the Plaintiff's innocence of the charges that the defendant had initially been retained to defend against. As part of that dialogue, the Plaintiff's attorneys provided the United States Attorney's Office for the Eastern District of New York copies of the exculpatory videotapes, emails and messages that the Plaintiff had earlier provided to the Defendant which established his actual innocence of the charges that they were retained to defend. In addition, the prosecutors were provided with a draft of a lawsuit, prepared by another law firm prior to the Plaintiff's arrest in September 2019, against Storm X, the alleged victim. The AUSA in charge of the prosecution appeared genuinely shocked that prior counsel (the Defendant) had not provided the information to the government after his arrest and before the filing of the indictment.

11. On March 21, 2023, prosecutors in the Eastern District of New York moved to dismiss all charges against the Plaintiff, with prejudice, based on, *inter alia*, “material exculpatory evidence obtained by the government well after the return of the indictment,” and “subsequent investigation of that evidence.”

12. On May 5, 2023 the indictment against the Plaintiff was dismissed with prejudice by United States District Court Judge Margo K. Brodie of the Eastern District of New York.

The exculpatory material that the prosecution cited as the basis for their motion to dismiss and which served as the basis for Judge Brodie’s decision was the very same material in the Defendant’s possession shortly after the Plaintiff retained them and which the Defendant refused to share with the prosecutors.

### CAUSE OF ACTION FOR LEGAL MALPRACTICE

13. The Plaintiff repeats and re-alleges each and every allegation set forth in Paragraphs 1 through 12, inclusive, as though fully set forth herein at length.

14. On or about September 25, 2019, the Plaintiff retained the Defendant to represent him as counsel in connection with his September 19, 2019 arrest in the case entitled United States v. Steven Nerayoff and Michael Hlady, 19-M-830 (Eastern District of New York). That engagement was “limited to the pre-indictment phase of the case.”

15. The Plaintiff hired the Defendant Covington & Burling LLP because Alan Vinegrad, a partner at the firm, was a former acting United States Attorney for the Eastern District of New York and was held out as an expert in federal criminal law and white-collar criminal defense.

16. Moreover, the Plaintiff agreed to have Amanda Kramer, a partner in and employed by the Defendant, be the attorney at Covington in charge of the engagement because Kramer was held out to be an experienced former federal prosecutor with specific expertise in white collar crime.

17. The criminal complaint filed against the Defendant on September 19, 2019 contained counts of Hobbs Act Extortion, Hobbs Act Extortion Conspiracy, Transmission of threats in interstate commerce, and Conspiracy to so transmit. The charges, ultimately proven to be false, related to the Plaintiff's legitimate business dealings with Seattle tech company Storm X and two of its executives, Simon Yu and Arry Yu, which were identified as Company 1, John Doe, and Jane Doe in the criminal complaint.

18. The Plaintiff was innocent of all charges contained in the complaint, and he provided the Defendant's attorneys proof of his innocence which included video recordings, text messages, and emails. The exculpatory evidence proved that the transactions described in the criminal complaint were in fact legitimate and lawful business dealings.

19. The Plaintiff, in addition to providing the exculpatory evidence to the Defendant, also advised the Defendant's attorneys that he had an absolute "claim of right" defense under the holding of *United States v. Jackson*, yet Amanda Kramer who was purported to be an expert in white-collar criminal defense was unfamiliar with the defense and wrongly said it did not apply to the facts of the Plaintiff's case.

20. On or about December 23, 2019, the Plaintiff emailed Amanda Kramer and cc'd Alan Vinegrad a detailed spreadsheet that included all the false statements in the complaint that had been filed against him and the evidence that the Plaintiff had provided to the Defendant, all of which established that the complaint was completely without merit and rebutted each allegation

in the complaint. Moreover, the spreadsheet directed the Defendant's attorneys to corroborating evidence that the Plaintiff had provided to them.

21. On or about December 23, 2019 the Plaintiff met with Alan Vinegrad and Amanda Kramer to discuss a meeting with the Assistant United States Attorneys prosecuting the Plaintiff in the EDNY.

22. At the meeting on December 23, Alan Vinegrad told the Plaintiff that he should not meet with the the prosecutors, for notwithstanding the fact that the Plaintiff had evidence to establish his innocence, the prosecutors would simply find another crime with which to charge the Plaintiff. Amazingly, this was said to the Plaintiff even though he had committed no other crime.

23. Alan Vinegrad advised the Plaintiff that the only way to prevail would be to take the impending indictment to trial and beat the government at trial. Going to trial, of course, would have required a separate engagement and new fee structure—which Alan Vinegrad had estimated would cost several millions of dollars.

24. Notwithstanding the Plaintiff's actual innocence and the incontrovertible evidence the Plaintiff presented to Vinegrad, Kramer and Covington - on which the government later based its motion to dismiss - Alan Vinegrad, because he had previously served as the Acting United States Attorney for the very same Eastern District of New York, was able to convince the Plaintiff to refrain from providing the information to the prosecutors.

25. On or about January 7, 2020, Alan Vinegrad and Amanda Kramer informed the Plaintiff that they would be withdrawing from their representation of the Plaintiff, as they had not been retained post indictment.

26. On or about January 10, 2020, the prosecutors obtained an indictment against the Plaintiff charging him for the conduct that the September 19, 2020, complaint had alleged—conduct that plaintiff did not commit.

27. For the next three years, the Plaintiff spent and incurred in excess of \$1,000,000.00 in legal fees to defend charges that the Defendant could have had dismissed pre-indictment with the information that they had in their hands—information that ultimately caused the government to move to dismiss in March of 2023.

28. For the next three years, as a result of the indictment that should never have been filed, the Plaintiff was unable to pursue civil actions against Company 1 for breach of contract and malicious prosecution--a delay which resulted in a greatly reduced ability to recover from Company 1, a company that falsely claimed he had extorted it. As a result, the Plaintiff suffered actual pecuniary damages.

29. For the next three years plaintiff was unable to engage in business at all because of the taint that came with the indictment, said indictment which would not have been obtained if the Defendant and its attorneys, Vinegrad and Kramer, had used the information the Plaintiff provided them to get the charges dismissed pre-indictment. The Plaintiff also lost other contracts in the crypto space as a result of being branded an extortionist.

30. The damages suffered by the Plaintiff were directly caused by the failure of the Defendant and its attorneys to exercise the ordinary degree of skill commonly exercised by a member of the legal community and the legal malpractice and negligence of the attorneys employed by the Defendant.



31. Had the Defendant exercised the ordinary degree of skill commonly exercised by members of the legal community, the government would have dismissed the charges contained in the September 19, 2019 complaint and not presented those same charges to the grand jury that returned the indictment against the Plaintiff.

32. As a result of the legal malpractice and negligence of the Defendant, the Plaintiff has been damaged in an amount to be determined at trial but not less than \$100,000,000.00.

**WHEREFORE**, it is respectfully requested that the Court grant the Plaintiff judgment against Defendant in an amount to be determined at trial but not less than \$100,000,000.00, Attorneys' fees and costs in regard to the prosecution of this action, and such other and further relief as this Court deems just and proper.

Dated: New York, NY  
August 31, 2024

SALTA & ASSOCIATES, P.C.



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Romeo Salta, Esq.  
Attorneys for Plaintiff  
630 9th Avenue  
Suite 405  
New York, NY 10036  
(917) 562-3347

## VERIFICATION

Romeo Salta, an attorney duly licensed to practice law in the courts of the State of New York, states that he is the attorney for the plaintiff in this action and that the allegations in the foregoing Complaint are true to his own knowledge, except as to matters therein stated on information and belief and as to those matters he believes them to be true; that the grounds of his belief as to all matters not stated upon his knowledge are correspondence and other writings furnished to him by the plaintiff and interviews with the plaintiff; and that the reason why the verification is not made by the plaintiff is that the plaintiff is domiciled in Nassau County and the attorney's office is in New York County.

August 31, 2024



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Romeo Salta