



IN THE COURT OF CHANCERY OF THE STATE OF DELAWARE

ARTUR SCHABACK, individually on)
behalf of himself, and derivatively on)
behalf of Paxful Holdings, Inc.,)

Plaintiff/
Counterclaim-Defendant,)

v.)

MOHAMED AZAB YOUSSEF,)

Defendant/
Counterclaim-Plaintiff,)

and)

JUDE CHIDI OGENE,)

Defendant,)

and)

PAXFUL HOLDINGS, INC.,)

Nominal Defendant/
Nominal Counterclaim-
Defendant.)

C.A. No. 2023-0026-PAF
PUBLIC VERSION
FILED MARCH 31, 2023

**SUPPLEMENTAL UNSWORN DECLARATION OF ARTUR SCHABACK
IN SUPPORT OF HIS CROSS-MOTION FOR SUMMARY JUDGMENT**

Pursuant to 10 *Del. C.* § 5356, *et. seq.* (the Delaware Uniform Unsworn Foreign Declarations Act), I, Artur Schaback, declare under penalty of perjury under the laws of the State of Delaware as follows:

1. I hereby submit this Supplemental Sworn Declaration under penalty of perjury in support of my Cross-Motion for Summary Judgment on (i) Count I of my Supplemental and Amended Verified Complaint, which in pertinent part seeks the appointment of a custodian under Section 226(a)(2) of the Delaware General Corporation Law; and (ii) Count III of Mr. Youssef's Counterclaims, which seeks

[REDACTED]

2. This Supplemental Declaration addresses (i) certain of Youssef's misrepresentations in his March 20, 2023 Declaration,¹ (ii) an update on my and my counsel's continued investigation into Youssef's roughly [REDACTED] in fraudulent transfers to EMiR,² Gemean, KALEM, and the like, (iii) recent developments in the last several days, including a push by Youssef for an [REDACTED] [REDACTED], and (iv) the fact that the Company should be able to continue as a going-concern.

¹ Unsworn Declaration of Artur Schaback in Support of Cross-Motion for Summary Judgment [Trans. ID No. 69341799] (hereinafter "Schaback Dec.").

² Capitalized terms not defined herein have the meaning set forth in the Shaback Dec.

Youssef's Continued Misrepresentations

3. Throughout this action, Youssef has had a pattern of making material misstatements of fact to the Court, including in statements sworn under penalty of perjury.

4. Prior examples of Youssef's material misstatements include the following, among others:

- In his January 25th declaration, Youssef stated that there was an audio recording of the November 23rd shareholder meeting.³ This statement was false. Both company counsel and Youssef's counsel have stated that they do not have a recording of this meeting.⁴

³ Youssef Jan. 25, 2023 Dec. (Trans. ID No. 68984739) ¶ 11 (“On November 23, 2023 [sic], I called an informal shareholder meeting and explained the situation to the shareholders, all of whom, including plaintiff, were present. An audio recording is available for this informal shareholder meeting”).

⁴ Ex. 1 (“The November 23 shareholder meeting was not recorded by the Company”) Ex. 2 (“Ray was mistaken when he previously stated that the November 23, 2022 meeting of Paxful's stockholders was recorded. Ray did not record and is not aware of anyone else recording the November 23, 2022 meeting of Paxful's stockholders”).

- In his February 23rd declaration, Youssef said that Emir pays approximately 80 programmers that are employed by Paxful.⁵ This was false. They are contractors.⁶
- In his February 23rd declaration, Youssef said that [REDACTED]
[REDACTED]
[REDACTED].⁷ This was false as Company counsel has said that [REDACTED]
[REDACTED].⁸

5. Youssef also caused the Court to be provided with materially incorrect information from the outset of this case. He and Ogene caused “the Company” (via then-counsel at McDermott, Will & Emery LLP) to argue against a Status Quo Order based on the false premise that Paxful was not [REDACTED]. MWE pointed to the alleged November 2022 closing of the [REDACTED] transaction, saying there was

⁵ Youssef Feb. 23, 2023 Dec. (Trans. ID No. 69201166) ¶ 2 (“EMiR EKİPMAN İTHALAT İHRACAT TİCARET LİMİTED SİRKETİ (“Emir”) is a Turkish company with which Paxful Holdings, Inc. (“Paxful” or the “Company”) contracted to pay approximately 80 programmers residing in Russia who are *employed* by Paxful”) (emphasis added).

⁶ Motion for Approval of Payment (Trans. ID No. 69328207), Exs. 1-3.

⁷ Youssef Feb. 23, 2023 Dec. ¶¶ 2–3 (“Paxful, [REDACTED], began paying its employees residing in Russia through Emir”).

⁸ Schaback Dec. Ex. 20 at 4 (“With respect to whether Dentons ever represented Paxful, we do not believe Dentons has ever provided legal advice, written or otherwise, to Paxful”).

“nothing [more] to enjoin.”⁹ MWE and Ogene represented that the Company would not [REDACTED] without a stockholder vote to approve [REDACTED], which they did not anticipate receiving.¹⁰ Seeking to benefit from their successful bad faith efforts to deprive me from obtaining Company information, MWE, Ogene and ultimately Youssef caused the Company to argue that I have “not alleged any other pending or imminent self-dealing transactions” and that my concerns were all “moot, theoretical or remediable by damages.”¹¹ Youssef knew all such statements were materially misleading, and he intentionally failed to correct them. In fact, Youssef never stopped [REDACTED] Paxful, and he still has not.

6. Youssef’s latest Declaration similarly is rife with materially misleading statements. Several examples are discussed below.

7. Youssef alleges falsely that “[p]rior to this action being filed, Schaback was provided any Company information he asked for.”¹² In fact, my prior filings in

⁹ Paxful Opposition to Motion for Status Quo Order (Trans. ID No. 68937743) ¶ 3.

¹⁰ *Id.* at ¶¶ 5-6; *see also* Ogene Jan. 19, 2023 Aff. In Support of Paxful Opposition to Motion for Status Quo Order (Trans. ID No. 68937743) ¶ 9.

¹¹ *See* Trans. 68937743 (Paxful Opp. to Mot. for Status Quo Order) at ¶¶ 6-7.

¹² Youssef Mar. 20, 2023 Dec. ¶ 17.

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