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## **DatChat, Inc. (NASDAQ:DATS): By Scammers, For Scammers**

We are short DatChat, Inc. (“DATS”, “the Company”) because we think DATS is a totally worthless stock promotion set to unravel as lock-up expiries begin in coming weeks. DatChat is run by CEO Darin Myman, who previously ran two other public companies – BigString (OTC:BSCG) and Wally World Media (OTC:WLYW) – into the ground.

Myman has now recruited his same bullpen of jabronis to DatChat, where over the course of 6+ years since the app was launched, DatChat has garnered an embarrassingly tiny 22,572 monthly active users (“MAUs”) – a figure apparently so embarrassing that the Company disclosed it in its IPO prospectus only after being forced by the SEC. Our experience showed that the DatChat app is overrun by bots, scammers, and solicitation of prostitution, reflecting little organic interest in the app. Our view is corroborated by the Company’s minimal social media following and comparatively few app reviews.

DatChat’s Android app code contains a glaringly obvious security vulnerability that potentially leaves app users open to man-in-the-middle (“MITM”) style hacks, allowing hackers to both monitor user data and inject their own. Not only does this basic deficiency in DatChat’s code potentially leave its users vulnerable to attack, but it also showcases the fly-by-night nature of DatChat’s promotion.

Despite its prominent blockchain marketing message, DatChat’s app is not based on any sort of blockchain technology. DatChat has claimed since at least year-end 2017 that its blockchain technology is “under development,” yet the Company had just 3 employees through May 2020, and appears to have never had a single blockchain developer on staff. Moreover, DatChat’s financial statements don’t even break out R&D expenses, nor capitalized software. DATS has also promoted the prospects of additional apps, a subscription-based service for SMBs, and a web-based application. Yet none of these have materialized, despite \$18 million in cumulative losses. Most recently, DATS promoted a Barstool “partnership”, which was really a glorified ad buy. We spoke with a Barstool representative with knowledge of the agreement who told us that “we have literally hundreds of partners” and that they hadn’t even bothered to download the app.

In our view, DATS not only lacks any worthwhile technology, but shows little intention of building a viable business. In 2018, the Company was subject to a failed merger with Spherix Inc (SPEX), which itself has been tied to SEC-charged Barry Honig’s stock promotion ring. DatChat then announced a pivot to crypto mining, yet we find nothing to suggest DATS has ever mined any cryptocurrency. Instead, we find DatChat insiders and major shareholders have a long history of promoting fantastical stories, only to leave common shareholders in ruins.

In addition to DATS CEO Myman’s two prior public company implosions, investors ought to also look to DatChat’s major shareholders: Robb Knie of HOTH Therapeutics, Inc. (HOTH) and notorious SEC-charged “toxic shareholder” Alpha Capital Anstalt. For their part, Alpha Capital Anstalt was charged by the SEC for “classic pump and dump schemes” which “knowingly or recklessly omitted to disclose the share ownership...” of a group of investors including Barry Honig, Phillip Frost, and Michael Brauser ([who have their own set](#) of SEC run-ins). We see the same potential malfeasance at DatChat today. Namely, DATS’ own disclosures of major shareholders quite literally do not add up, and over 20% of DATS pre-IPO shares are left entirely unaccounted for. Not only do these discrepancies potentially leave DatChat’s float larger than investors believe, but we think could draw the attention of the SEC, especially in light of Alpha Capital Anstalt’s prior charges.

We find that Alpha Capital Anstalt-tied companies implode like clockwork, and we believe DATS will be no different. The Company’s first round of IPO lock-ups expire in November, and we are short.

## After Running Two Other Public Companies Into The Ground, The Gang Is Back at DATS

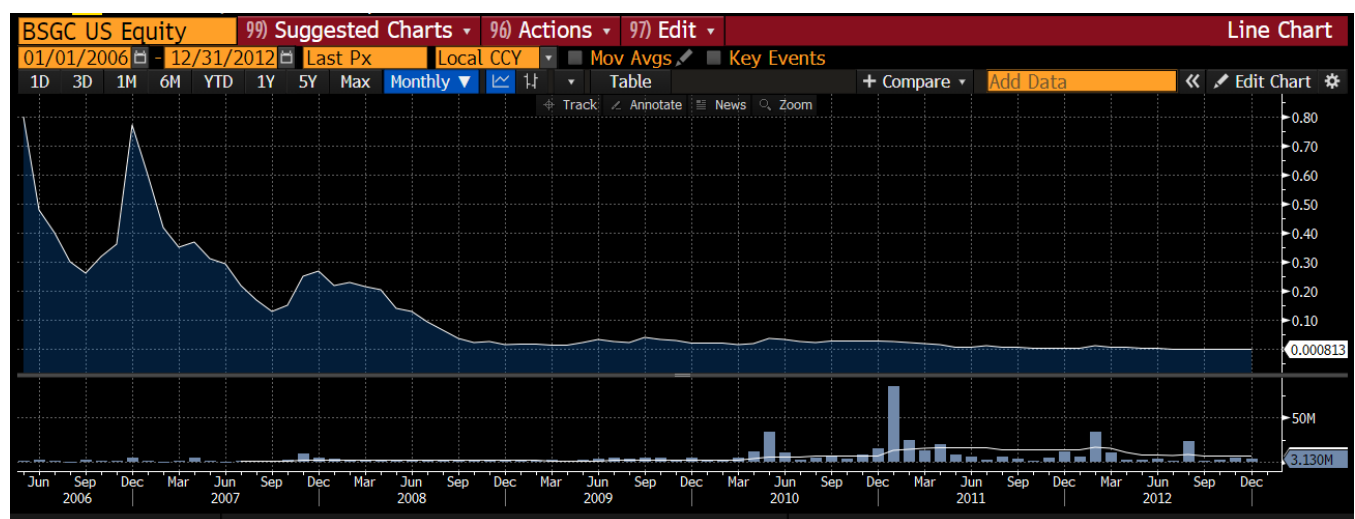
DatChat has assembled a cadre of individuals who previously served at BigString and Wally World Media, two public companies which imploded under current DATS CEO Darin Myman.



### BigString: A Colossal Failure

To us, DatChat appears an even more ridiculous reincarnation of one of Myman’s other failed ventures, BigString Corp (OTC:BSGC). BigString claimed to develop technology which would allow email users to “have comprehensive control, security, and privacy relating to the email generated by the user.” In simpler terms, the company promised self-destructing email, with Myman stating in [a New York Post article](#) that “Sometimes videos and e-mails can become very embarrassing or wind up unexpectedly on YouTube and other places you don’t want it to be seen.” BigString appeared to promote these services with an MLM-like scheme, according to former users, with one [user posting on a “scam warning” forum](#) that “I feel so stupid for being suckered by this company” after paying \$250 for an “entrepreneur package” and being lured by the prospect of stock options as rewards.

From its October 2003 [inception](#) through December 2010, BigString generated a measly \$281,055 in revenues, and \$14.1 million in operating losses as share count ballooned from 47.5 million in 2007 to 144.0 million as of the company’s last 10-Q filing in Q1 2012. Just as for DATS today, notorious “toxic lender” Alpha Capital Anstalt was a shareholder, at one point holding [40% of BSGC](#) common shares. BSGC now trades at a fraction of \$0.01/share:



## Wally World Media: I Hope At Least You Kids Have Learned Something From This

Myman and crew then moved onto Wally World Media (OTC:WLYW), which [was incorporated](#) in May 2012 with [the aid of DOJ-charged and disbarred](#) “shell factory” lawyer Gregg Jaclin:

FOR IMMEDIATE RELEASE

Thursday, May 18, 2017

### **New Jersey Attorney Charged In Securities Fraud Scheme**

#### **Lawyer allegedly participated in scheme to lie in public filings and obstruct the SEC**

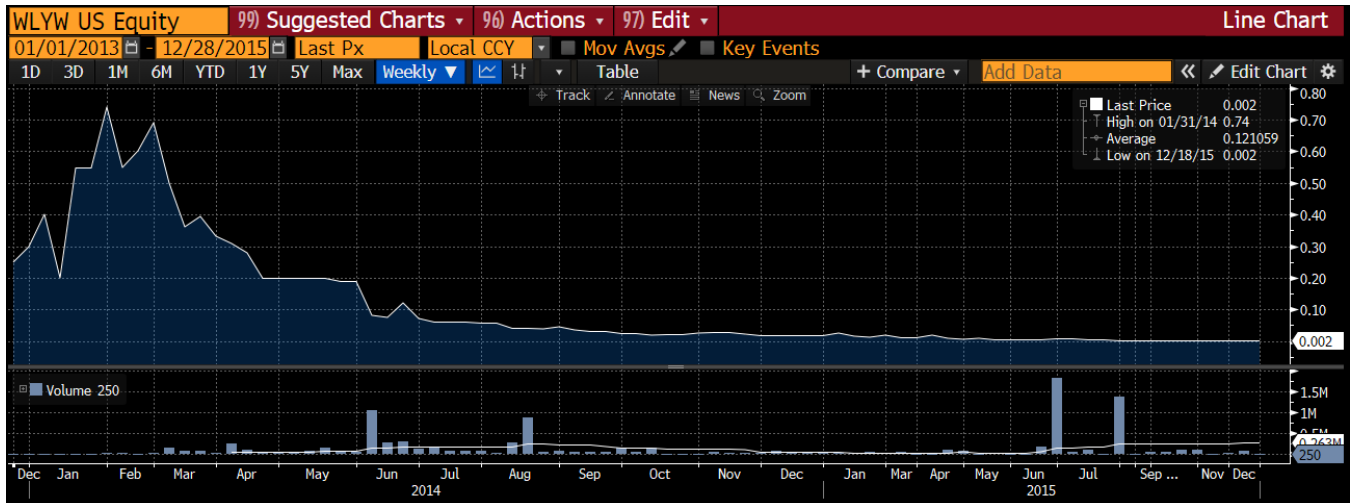
SAN FRANCISCO – Gregg Jaclin, an attorney and resident of New Jersey, was indicted today for his role in an alleged securities fraud scheme, announced United States Attorney Brian J. Stretch and Federal Bureau of Investigation Special Agent in Charge John F. Bennett. According to the indictment, Jaclin, through the law firms at which he worked, conspired with another individual in a scheme to create and sell public shell companies with no ongoing business but which, in on their Securities and Exchange Commission (SEC) filings, were represented to be owned and controlled by various individuals and were legitimate businesses. In reality, they were shell companies created by one individual and meant for one purpose—selling them to others, who in some cases used them as vehicles for securities market manipulation schemes. Jaclin and the other individual also allegedly obstructed multiple SEC investigations into their conduct.

Wally World was also [headquartered](#) at 65 Church Street, New Brunswick, NJ – the same as DATS today:

Name of Issuer  
[Wally World Media, Inc](#)  
 Street Address 1  
[65 CHURCH STREET](#)  
 City  
[NEW BRUNSWICK](#)

**DatChat, Inc.**  
**65 Church Street, 2<sup>nd</sup> Floor**  
**New Brunswick, NJ 08901**  
**Telephone: (732) 354-4766**

Wally World attempted to “engage primarily in social media software and mobile app development” through several product launches, including a “YouPop” social media platform, a “Vape Shop” Joint Venture, and an “Emoji Cam” app. However, per Wally World’s own filings: “None of our applications or business ventures were met with any notable commercial success” and “We have been dormant since December 2015.”



These two public charades were spearheaded by current DATS CEO Darin Myman, who we find has brought this same cadre of lackeys to the DatChat promotion today:

Individual, Role	BigString (OTC:BSGC)	Wally World Media (OTC:WLYW)	DatChat (NASDAQ:DATS)
<a href="#">Darin Myman</a>	Founder and CEO	Co-Founder and CEO	Founder and CEO
<a href="#">Peter Shelus</a>	Lead Engineer	CTO / Lead Developer	Chief Technology Officer
<a href="#">Bruce Van Heel</a>	Chief Sales and Marketing Officer	n/a	CMO and Co-Founder
<a href="#">Jeff Albeck</a>	n/a	Senior UX Designer	Co-Founder, VP of Development

### Apparent Bots, Scams, and Prostitution Pervades DatChat’s Miniscule User Base

Despite launching the app in 2015, DatChat has a paltry monthly active user base of just over 22,000. Moreover, our experience with the app leads us to believe that many so-called “active users” are in fact bots, scammers, and those using DatChat to solicit prostitution.

### DatChat Only Disclosed its User Base When Forced by the SEC, Then Again Dropped Disclosures

We think that if DatChat were truly a fast-growing app, then the Company would be eager to promote user metrics as is industry standard. However, DatChat has been eerily quiet about its user base, and only included a Monthly Active User (“MAU”) metric after being [prompted by the SEC](#) do so:

**COMMENT 5:** Please quantify your current user base for DatChat Privacy Platform and Private Encrypted Social Network such as monthly or daily active users. Also, please clarify if you have a material amount of Android users.

**RESPONSE:** The Company has revised its disclosure in the Amended Draft Registration Statement to quantify the Company's current user base by disclosing the monthly active users.

DatChat then disclosed in its August 2021 amended S-1 that the Company had a measly **22,572 Monthly Active Users**, of which approximately 16,620 are Android users (74% of the total).

However, since being forced by the SEC to disclose MAUs, DATS then returned in its subsequent 10-Q to not disclosing its MAU base. The Company has also issued 5 [press releases](#) since August 26, yet none of the releases disclose an updated MAU figure.

We can't think of a single serious social networking or messaging company which hides the size of its user base from investors. We think the Company fails to disclose MAUs due to the highly questionable nature of the user base itself, while on a per-user basis, DATS is shown to be wildly overvalued. At 22,572 MAUs, DATS is currently valued at over \$7,000 per user, or 37x the valuation of market-leading companies like Telegram and Snapchat, which already generate billions in revenues and profits.


	MAUs (millions)	Valuation (\$ millions)	\$ per MAU	DATS vs. "Comp"
Telegram	800	40,000	\$50	141.8x
Pinterest	454	32,464	\$72	99.1x
Twitter	330	48,931	\$148	47.8x
Facebook	2,890	921,667	\$319	22.2x
Snapchat	293	112,131	\$383	18.5x
Bumble	40	9,018	\$225	31.4x
Duolingo	38	5,513	\$145	48.7x
<b>Average</b>			<b>\$192</b>	<b>37.0x</b>
<b>DatChat</b>	<b>0.022572</b>	<b>160</b>	<b>\$7,088</b>	

Even if we value DATS at our industry comparable average of \$192 per "user", the Company would be worth just \$4.3 million, or \$0.25 per share.

### We Find DatChat is a Hive of Scammers, Bots, and Solicitation of Prostitution

Against the backdrop of a pitiful user base, we were highly concerned to find upon downloading the app that the vast majority of group engagement we witnessed was scamming, bot-like behavior, and solicitation of prostitution. We found a litany of such posts across groups supposedly meant for app tips, sports talk, self-improvement, stock alerts, and other would-be innocuous topics. See photos we took below, just as anyone else could, effectively bypassing DatChat's supposedly unique features which prevent screenshots. Readers ought to be warned that we have excluded – even from these photos – heaps more sexually explicit content inappropriate for this report. We found nothing from DatChat that suggested to us the Company has made any attempt to moderate this potentially criminal content.




 **mrnice711**  
10/05/21 @ 8:04pm expires 49 days


Earn \$5,000 daily using ELON MUSK trading plan and method, click [https://t.me/\[REDACTED\]ptions](https://t.me/[REDACTED]ptions) to get started or message on WhatsApp +1(925) [REDACTED]


0 Comments

↑ 0 Add Comment 0 ↓

 **lucykoo**  
10/05/21 @ 7:02pm expires 48 days

Am available for hookup both incall and outcall dm let chat (240) [REDACTED] my service are Erotic and I give all different kind of style like doggy style,anal,sit on a pen even blow job




 **clara1**  
9/24/21 @ 5:12pm expires 17 days

Hello everyone am Clara  
Am available for hookup and you can be text me [REDACTED]@gmail.com or +1(513) [REDACTED] on WhatsApp thanks

0 Comments

↑ 1 Add Comment 2 ↓


 **cherrywood**  
9/19/21 @ 9:22pm expires 8 days

Hello everyone

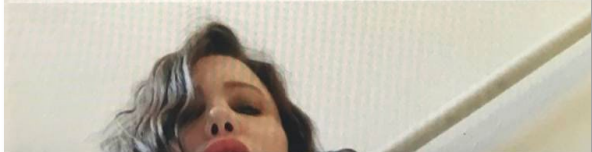
1 Comment

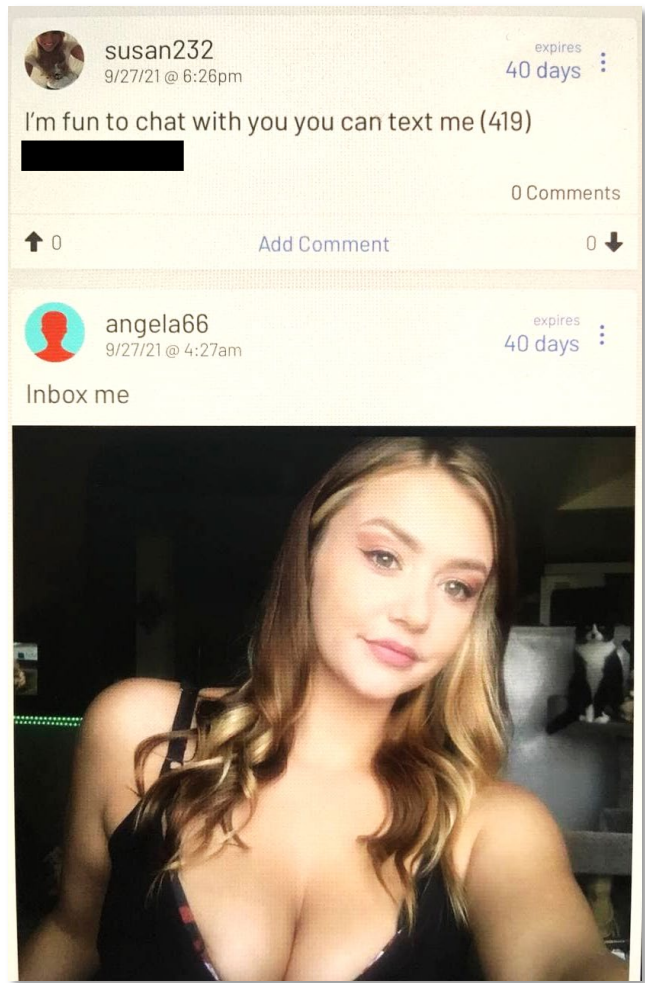
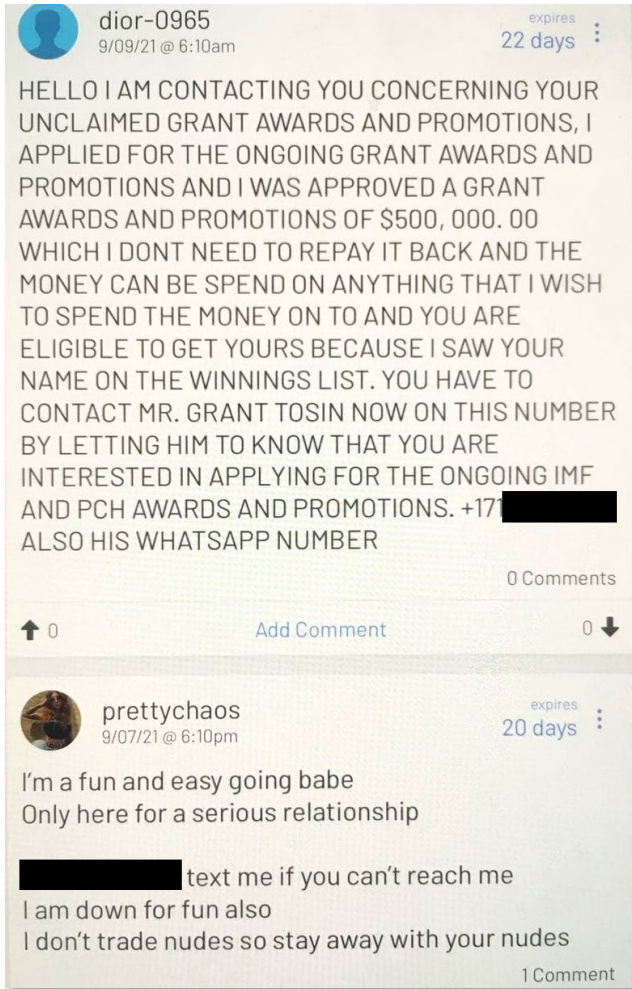
↑ 4 Add Comment 0 ↓

🚫 screenshot attempted by dumamay

 **brittany-1**  
9/17/21 @ 11:54am expires 30 days

I'm down for hook ups if you are interested  
My services are erotic lick eat & GFE & 69 style & BBBJ & BJ no condom & body to body, massage & shower together & kissing and touch me & B2B if you are interested for meet ups Dm me on Kik [REDACTED] is my username

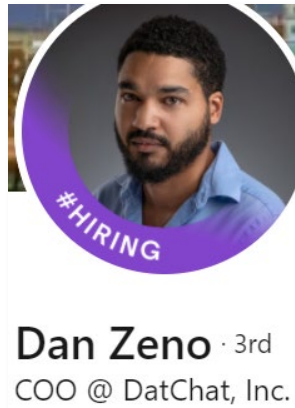




**DatChat’s Minimal Organic Presence Corroborates our View that Scammers Pervade the App**

Despite the DatChat app being created and launched over 6 years ago, DatChat has garnered just 261 reviews on the Google Play store and just 531 ratings on the iOS App Store. Moreover, our view is that if the Company truly had an avid user base, it wouldn’t need to use its own employees to write reviews. See, for example, DATS COO Dan Zeno’s coy 5-star review below:





TheDanZeno, 08/07/2019

#### Revolutionary - Game Changer

This App is going to disrupt an entire industry. No screenshots! Nuke entire conversations?! Blockchain! What?!

This is what freedom and privacy is suppose to be like. I'm tired of companies collecting all of my data and selling it.

I'll never use Snapchat again. Phasing our Facebook too, once there's a legit alternative. I'm investing every spare dollar I have into this company. And you should too.

## We Discovered DatChat's Android App Contains a Glaring Security Vulnerability

Despite DatChat's supposed focus on encryption and security, we discovered very elementary vulnerabilities in the app's Android code, leaving the app vulnerable to man-in-the-middle ("MITM") style attacks. Namely, DatChat's lack of TLS certificate validation appears to accept all domain certificates as valid. See the code revealing the vulnerability below, per [Osterlab](#):

### Details:

Override of method checkClientTrusted with a trivial method, potentially not performing any validation

Method `net.datchat.datchat.g0.checkClientTrusted()` :

```
public void checkClientTrusted(java.security.cert.X509Certificate[] p1, String p2)
{
    return;
}
```

Mobile app security experts at [NowSecure](#) graciously provide an example of vulnerable code which matches the very same code found in DatChat's app:

Developers may disable certificate validation in apps for a variety of reasons. One example is when a developer needs to test code on the production server, but does not have a domain certificate for the test environment. In this situation, the developer may add code to the networking library to accept all certificates as valid. Accepting all certificates as valid, however, allows an attacker to execute an MITM attack on the app by simply using a self-signed certificate. This approach to developing an app nullifies the effect of SSL/TLS and provides no value over an unencrypted, plaintext connection (other than requiring an active MITM attack to view and modify traffic whereas a plaintext connection can be monitored passively).

Below is an example of vulnerable Android code that accepts all SSL/TLS certificates as valid:

```
TrustManager[] trustAllCerts = new TrustManager[] {  
    new X509TrustManager() {  
        public java.security.cert.X509Certificate[] getAcceptedIssuers() {  
            return null;  
        }  
        public void checkClientTrusted(X509Certificate[] certs, String authType) { }  
        public void checkServerTrusted(X509Certificate[] certs, String authType) { }    }  
};
```

In practice, this vulnerability allows hackers to execute MITM attacks, by which the attacker inserts their own device between DatChat users and DatChat's remote server. From here, attackers could potentially monitor traffic or inject their own content.

Experts suggest – at a baseline – to pin certificates, hence preventing hackers from simply using their own certificates in these attacks. NowSecure suggests, “For any app that handles highly sensitive data, use certificate pinning to protect against MITM attacks.” This rudimentary advice is also given by [Android's developer guidebook](#).

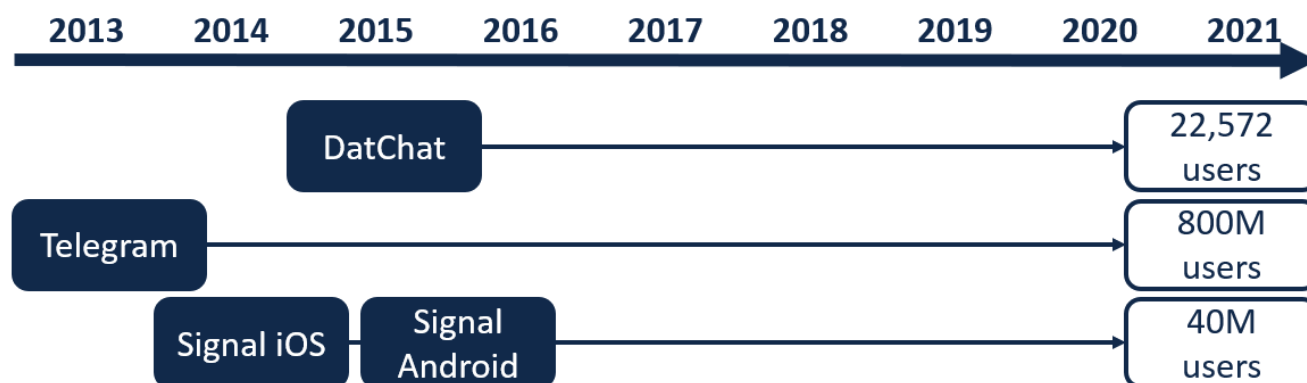
We used a free security tool, [Osterlab](#), to scan DatChat's android app, as well as those of Telegram, Signal, Snapchat, Bumble, Pinterest, and Duolingo. **Of all these apps, DatChat was the only one which contained this MITM-enabling vulnerability.** Corroborating our view of the importance of such a flaw, Osterlab recognized the vulnerability as possessing a CVSS score of 9.1 – a score of 10.0 is the most severe. In our view, not only does this potentially leave DatChat users exposed, but underscores the charade that is DatChat's business.

## **We Don't Think DATS Has Any Ability or Intention to Build a Viable Business**

To us, it appears that for the past 5+ years, DatChat insiders have preferred planning their eventual cash-out to building a viable business.

## We Find DatChat Has Already Left a String of Unmet Promises over the Past 5+ Years

DatChat was founded in 2014, and its app released in July 2015. Notably, this is about the same time that now-popular encrypted messaging apps including Telegram (launched in August 2013) and Signal ([launched for iOS in July 2014](#) and for [Android in November 2015](#)) also launched. While these companies have taken the past several years to invest and build massive user bases,<sup>1</sup> DatChat hasn't accomplished much of anything:



Investors who believe DATS is “just getting started” are sorely mistaken; we think for DATS, the train has already left the station. DATS has been hawking the same bogus narratives for at least the past 5 years, as can be found in the Company’s September 2016 [preliminary offering circular](#). Instead, we find a big string of promises that – 5 years later – the Company has still failed to fulfill, including:

Claims (September 2016 – 5 years ago)	Reality
“in-app purchases such as user customization features...”	DATS has generated zero revenues through Q2 2021.
“a subscription based service for small and medium size businesses”	DATS has generated zero revenues through Q2 2021.
“other mobile applications and services.”	DATS has developed just a single app.

More recently, the Company’s [July 2021 investor presentation](#) called for a desktop app to be released in September 2021 – yet again, the Company has failed to release any such desktop app.

## We Find DatChat’s “Blockchain” Development Claims Totally Devoid of Substance

Similarly, in each of the years ended 2017, 2018, 2019, and 2020, the Company [claimed in its 1-K filings](#) that the Company’s blockchain technology was “under development.” However, despite the Company’s website homepage prominently displaying the words “Blockchain Technology”, DatChat’s app continues to use zero blockchain technology, with current filings conceding – after the [SEC sought clarification](#) – that the supposed tech remains in development:

<sup>1</sup> Signal reportedly held over 40 million active users as of January 2021, while Telegram had reportedly between 500 and 800 million active users, adding 70 million new users during the Facebook outage alone.

“In addition, **we are developing** a blockchain-based, decentralized communications platform that is being designed to allow consumers and businesses to connect directly with each other.”


Our view is that these historical and recent claims of technology being “under development” were and remain totally devoid of substance.

As shown through these same 1-K filings, from 2017 through 2019, the Company disclosed that it employed just 3 individuals, who, based on their own LinkedIn profiles and Company disclosures, we believe to be CEO Darin Myman, Co-Founder Bruce Van Heel, and CTO Peter Shelus. **Thus, so far as we can tell, not a single one of the Company’s former or current staff has any proven blockchain-related expertise.**

Finally – unlike almost every other public app-based company – DATS has no line item disclosing research and development expenses, nor any capitalized software in its statement of cash flows:


<b>DATCHAT, INC.</b>		
<b>CONDENSED STATEMENTS OF OPERATIONS</b>		
<b>(Unaudited)</b>		
	<b>For the Three Months Ended June 30, 2021</b>	<b>For the Three Months Ended June 30, 2020</b>
<b>ZERO PRODUCT DEVELOPMENT</b>		
<b>ZERO RESEARCH AND DEVELOPMENT</b>		
<b>ZERO CAPITALIZED SOFTWARE</b>		
<b>NET REVENUES</b>	\$ -	\$ -
<b>OPERATING EXPENSES:</b>		
Compensation and related expenses	222,380	102,202
Marketing and advertising expenses	103,479	23,980
Professional and consulting expenses	232,292	51,190
General and administrative expenses	87,776	20,991
<b>Total operating expenses</b>	<b>645,927</b>	<b>198,363</b>

As of the Company’s August 9, 2021 disclosures (the most recent we find), DATS has just six employees and 4 consultants. It appears to us that among these 6 employees, DATS’ sole dedicated software developer, per the [Company’s website](#) – is Jeff Albeck – whose [LinkedIn profile](#) names him as “Jeff Stark.” We find it telling that, just prior to DatChat, Albeck/Stark worked at Wally World Media, which CEO Darin Myman also ran into the ground:



**Jeff Stark**  
Hi.

**Senior User Experience Designer**  
DatChat  
Nov 2014 – Present · 7 yrs  
New Brunswick, New Jersey



**Senior UX Designer**  
Wally World Media, Inc  
Sep 2012 – Nov 2014 · 2 yrs 3 mos



## DatChat and Barstool: “We Literally Have Hundreds of Partners”

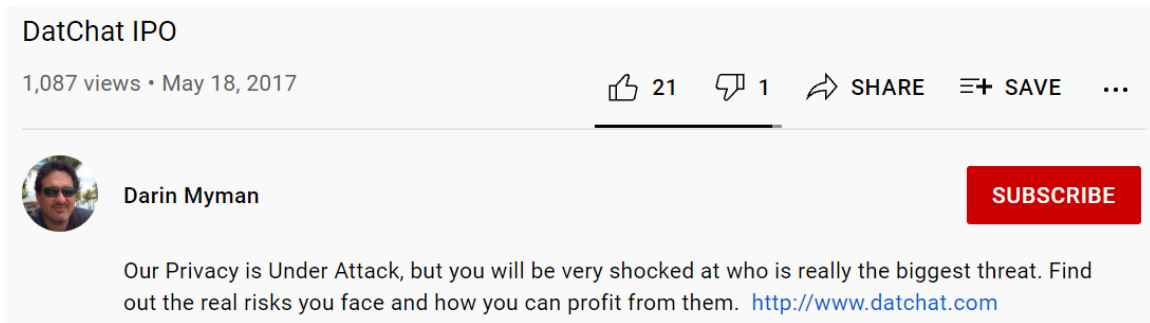
DatChat has recently promoted two advertising agreements with [Barstool Sports](#) and [IZEA Worldwide](#). We’ve since seen pumpers promote the Barstool agreement as a “partnership”, yet the Company’s 8-K is clear that this is merely a pay-to-play agreement, with DatChat paying fees of \$3 million. Similarly, the IZEA 8-K cites a “low seven figure” payment. We spoke with a Barstool representative with knowledge of that contract who stated that “We have hundreds of advertisers every year. We literally have hundreds of partners.” He also noted that despite the Company’s 8-K, DatChat had yet to demonstrate or train any Barstool reps on the app, which he also hadn’t bothered to download himself.

As of Q2 2021, DatChat held just \$1.1 million in cash on the balance sheet, a miniscule sum which explains the Company’s need to raise capital in its IPO. The IPO raised \$12 million, yet DATS is now pouring a quarter of these proceeds into a single advertising campaign which lasts just a few months. As DatChat continues to burn cash, we think the Company will once again be forced to tap the capital markets for new funding.

## **We Think DATS Shareholders Will Be Left Holding the Bag**

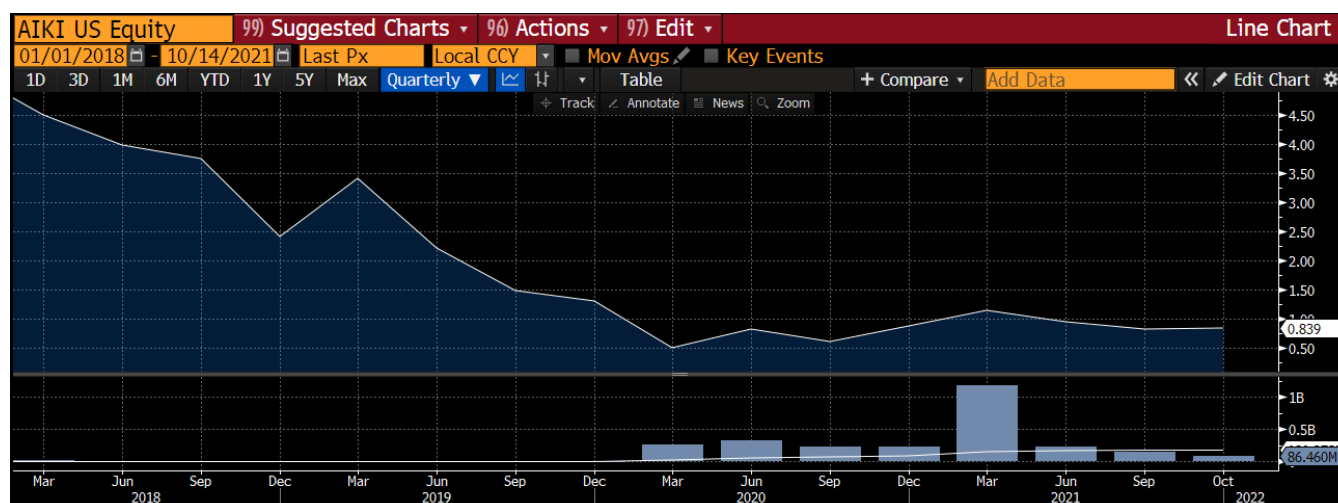
### DATS Insiders Appear Hell-Bent on Cashing Out

It appears to us that DATS’s has been more on getting an IPO across the line than on developing a usable product. CEO Darin Myman touted an upcoming DatChat IPO as far back as May 2017, as can be shown through promotional [YouTube videos](#) uploaded by Myman himself:



Then in March 2018, DATS announced [a deal to merge](#) with Spherix Incorporated, which has now become Aikido Pharma (AIKI). In conjunction with the announcement, DATS stated that the Company would “expand its crypto mining of Ether” as “DatChat recently launched Ether mining, and the merger with Spherix will allow DatChat to increase those efforts.” Today, we find zero indication that DATS ever mined any ETH since inception: DATS continues to disclose zero revenues since inception, and the words “mining”, “ether”, and “Ethereum” appear zero times in any of the Company’s historical SEC filings.

In August 2018, Spherix [pulled out of the deal](#), offering instead a \$1 million investment in DatChat. Spherix itself was a Barry Honig-affiliated company which also employed DATS board member and current major DATS shareholder Robb Knie as Head of Investor Relations. Spherix, now Aikido (AIKI) has fallen significantly since then:



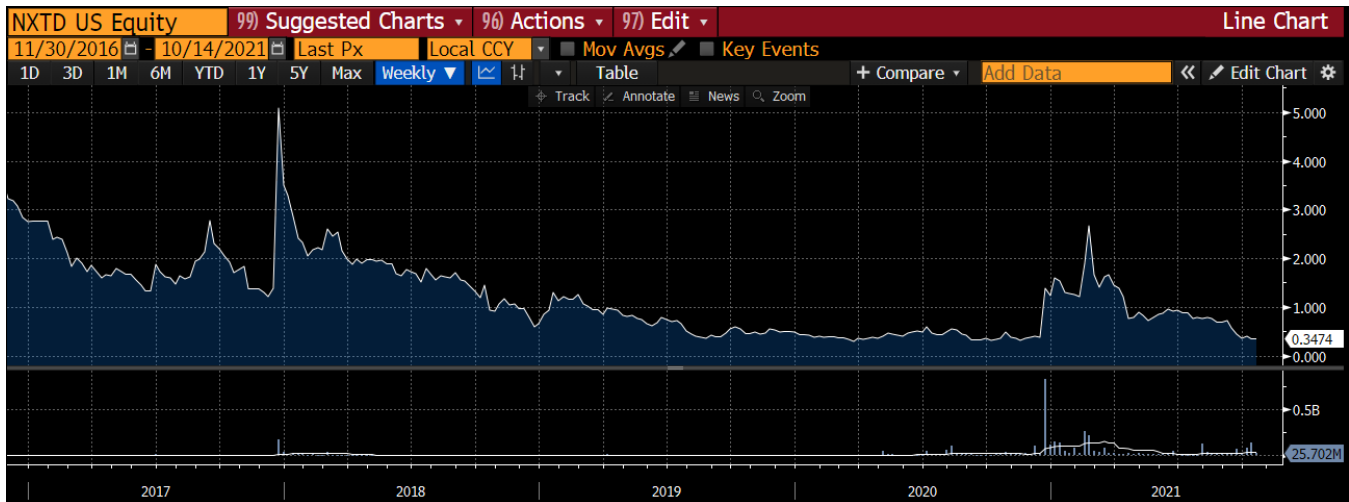
In the meantime, having only raised \$4 million of a \$50 million Reg A+ offering, DatChat has relied on infamous [SEC-charged](#) group, Alpha Capital Anstalt.

### For Alpha Capital Anstalt, DATS Will Be Just Another Brick in the Wall

Alpha Capital Anstalt has been involved with a veritable laundry list of companies whose share prices have plummeted since IPO. See just a selection of these companies which have come to market over the past 10 years:

Ticker	Company Name	IPO Date	Post-IPO Performance
FDBL	Friendable, Inc.	Jul-11	-100.0%
CANF	Can-Fite BioPharma Ltd.	Nov-12	-98.1%
VBIX	Emerald Medical Applications Corp.	Nov-12	-99.4%
CGIX	Cancer Genetics, Inc. (now Vyant VYNT)	Apr-13	-99.3%
NXTD	Nxt-ID, Inc.	Aug-13	-98.9%
AKER	Akers Biosciences, Inc. (now MYMD)	Jan-14	-99.7%
PQEFF	Petroteq Energy Inc.	May-14	-99.5%
BSGM	BioSig Technologies, Inc.	Oct-14	-72.0%
NAOV	NanoVibronix, Inc.	May-15	-51.4%
QLGN	Qualigen Therapeutics, Inc. (RTTR)	Jun-15	-99.9%
IQST	iQSTEL Inc.	Jun-15	-100.0%
RGNP	Reign Sapphire Corp	May-16	-99.5%
GPFT	Grapefruit USA, Inc.	Jun-16	-97.6%
PVNF	PV Nano Cell, Ltd.	Mar-17	-95.9%
PIXY	ShiftPixy, Inc.	Jun-17	-99.7%
ATNF	180 Life Sciences Corp	Jun-17	-43.9%
SFET	Safe-T Group Ltd.	Aug-17	-100.0%
UCUT	Point Capital, Inc. (now Silo Pharma)	Jun-18	-84.8%
WIZD	Creek Road Miners, Inc. (Wizard)	Jul-18	-59.7%
USDR	UAS Drone Corp.	Dec-19	-97.2%

These companies have left a trail of lawsuits and federal charges in the wake of their destruction. For example, in November 2016, Alpha Capital Anstalt first [appeared as a securityholder of Nxt-ID, Inc.](#) (NXTD), a purported technology company powering the internet of things. However, stock promoter Jeffrey Auerbach [pled guilty in 2020](#) to Department of Justice charges, and served 3 months in prison for a “conspiracy to commit securities fraud for his role in a scheme to take kickbacks from the former Chief Executive Officer (CEO) of NXT-ID, a publicly listed company on NASDAQ, in exchange for promoting NXT-ID stock to investors and potential investors.”



We expect that DATS will similarly implode as insiders and major shareholders become free to trade their shares, as has happened time and time again.

### DATS Ownership Disclosures Appear to Not Account for Over 20% of pre-IPO Ownership

DATS prospectuses appear to us to show irregularities that leave us unable to reconcile over 20% of the Company’s pre-IPO ownership. These discrepancies echoes the same concerns that the SEC raised in its complaint against the group including Alpha Capital Anstalt, which is again a major shareholder of DATS.

See per the [July 2, 2021 Form S-1](#) that Robert Coleman and Carl Mattone each own 5.98% and 5.56% of the Company’s pre-IPO shares, respectively:

Name	Shares Beneficially owned before offering	Percentage of shares Beneficially owned	
		Before offering	After Offering
<i>Directors and Named Executive Officers</i>			
Darin Myman	3,500,550	13.07%	12.07%
Peter Shelus	2,000,000	7.47%	6.90 %
Vadim Mats	—	—	—
Gabriel Daniels	*	—	—
Dan Zeno	*	—	—
Wayne D. Linsley	—	—	—
Joseph Nelson	*	—	—
Carly Schumer	—	—	—
All Directors and Officers as a group (8 persons)	5,513,300	20.54%	19.01 %
<i>5% Stockholders</i>			
Robb Knie	2,000,000	7.47%	6.90 %
Silo Pharma, Inc.(1)	2,000,000	7.47%	6.90 %
Robert Coleman (2)	1,600,000	5.98%	5.52 %
Alpha Capital Anstalt (3)	1,500,000	5.60%	5.17 %
Carl Mattone (4)	1,490,000	5.56%	5.14 %

\* Represents beneficial ownership of less than 1%.

The S-1 also properly discloses that this group owns 52.68% of pre-IPO shares. Keep this number in mind.

“Our directors, executive officers and each of our stockholders who owned greater than 5% of our outstanding Common Stock beneficially, as of June 28, 2021, **own approximately 52.68% of our common stock outstanding immediately before this offering** and 48.64% of our common stock outstanding immediately after this offering stock.”

However, per the updated [August 16 prospectus](#), Carl Mattone and Robert Coleman have disappeared from the share registry entirely, seemingly without explanation (i.e., transfer of ownership or otherwise).<sup>2</sup> Just as in the earlier Form S-1, the prospectus discloses total ownership among insiders and 5% stockholders, which the Company now claims is not 52.68%, but 63.54%:

“Our directors, executive officers and each of our stockholders who owned greater than 5% of our outstanding Common Stock beneficially, as of August 9, 2021, **own approximately 63.54% of our common stock outstanding immediately before this offering** and 52.38% of our common stock outstanding immediately after this offering stock.”

These disclosures immediately trigger two sets of issues, in our view. First, between the July 2 Form S-1 and the August 16 prospectus, DATS has not provided any explanation of any changes that would explain the jump from 52.68% to 63.54% in insider & major shareholder ownership.

**Moreover, even if we are to take the claim of 63.54% insider & major shareholder ownership at face value, the Company’s own table above accounts for just 42.95% ownership, hence leaving the owner of 20.59%, or a massive swath of 2,757,148 shares, entirely unaccounted for.** See per our analysis below:

<sup>2</sup> Shareholdings in the August 16 prospectus are shown post-split basis, though the percentages remain the same.



DATS disclosed greater than 5% owners	Shares	% of Pre-offering Total
Darin Myman	1,750,275	13.07%
Peter Shelus	1,000,000	7.47%
Robb Knie	1,250,000	9.34%
Silo Pharma, Inc.	1,000,000	7.47%
Alpha Capital Anstalt	750,000	5.60%
Total	5,750,275	42.95%
Pre-Offering Shares Outstanding	13,389,083	
<b>% of Pre-Offering Ownership</b>	<b>42.95%</b>	

We think these multiple irregularities are likely to draw the SEC’s attention, especially given that the SEC has already previously charged a group of investors – including current DATS investor Alpha Capital Anstalt – which exhibited similar signposts. The [SEC charged the group](#) for,

“long-running fraudulent schemes that generated over \$27 million from unlawful stock sales and caused **significant harm to retail investors who were left holding virtually worthless stock** ... , a group of prolific South Florida-based microcap fraudsters led by Barry Honig manipulated the share price of the stock of three companies in **classic pump-and-dump schemes**.”<sup>3</sup>

More specifically, the SEC alleged that the group,

“**knowingly or recklessly omitted to disclose the share ownership** as a group of Honig, Brauser, Frost, Stetson, and Groussman, or the size of each of their holdings. Similarly, Company B's CEO, Ladd, also signed false public filings, **making material misstatements in them about the substantial group ownership of Company B shares** held by Honig, Brauser, Stetson, O'Rourke, and Groussman.”

### Lock-Up Expiries Are Rapidly Approaching

Amid the Company’s conflicted disclosures regarding share ownership, common shareholders are left facing down the barrel of 90-day and 180-day lock-up expiries. See from the prospectus that:

“Further, **beginning 90 days after the effective date of the registration statement** of which this prospectus is a part, a person who is not an affiliate of ours at the time such person sells shares of our common stock, and has not been an affiliate of ours at any time during the three months preceding such sale, and **who has beneficially owned such shares of our common stock, as applicable, for at least six months but less than a year, is entitled to sell such shares** so long as there is adequate current public information, as defined in Rule 144, available about us.”

As the SEC [declared DatChat’s prospectus effective](#) on August 12, 2021, these shares become freely tradable in November, or just 4 weeks.

### Robb Knie, Jace Knie, and HOTH Therapeutics

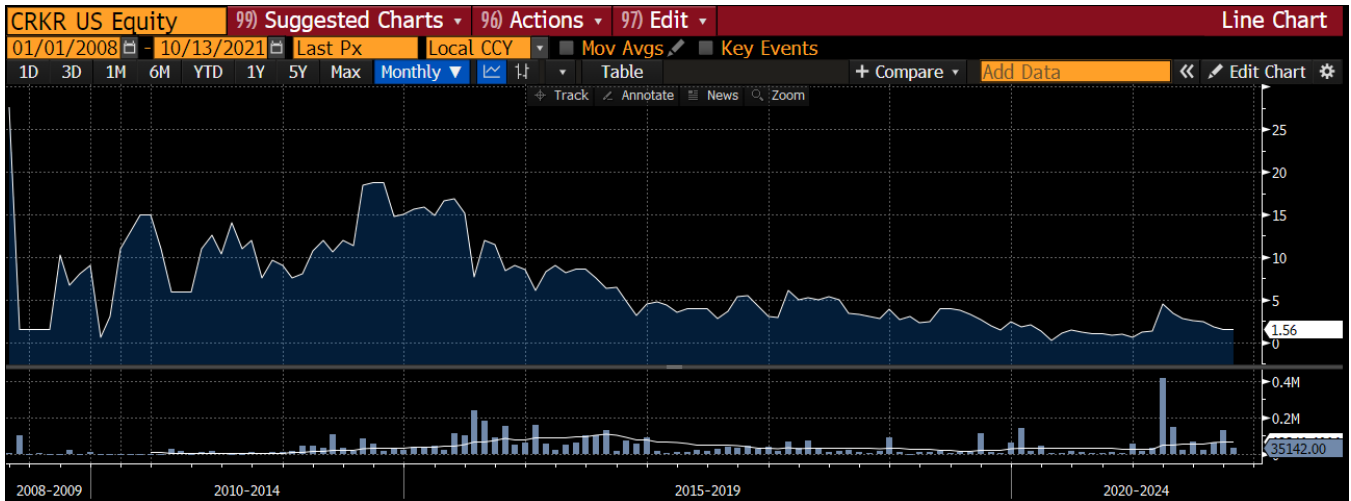
<sup>3</sup> The SEC [settled with and obtained consent decrees](#) from 6 of the defendants in March 2019.

Finally, we also find Robb Knie among major DatChat shareholders. Knie [is reported to](#) have previously been arrested for petty larceny and false statements, and serves as CEO of Hoth Therapeutics (HOTH), which is down 86% since IPO. Moreover, Knie is tied to SEC-charged Barry Honig; see the two [pictured together](#) below.



We also find it concerning that Robb Knie's son, Jace Knie signs off as attorney-in-fact for DATS executives. Jace is a 2021 graduate of George Washington University, [who joined Sheppard Mullin](#) – DatChat's law firm – as a Practice Assistant in June 2021. Since then, it appears Jace has been co-opted into the DATS promotion, as Jace now signs on behalf of DATS executives – including [Myman](#), Schumer, Zeno, Nelson, and Wayne Linsley – through a power-of-attorney agreements signed on September 30, 2021. To us, this appears at least a significant conflict of interest, and at worst a massive breach of fiduciary duty.

We also note that DatChat CFO Vadim Mats has also served on HOTH Therapeutics' [board of directors](#) since May 2017, again tying DATS to HOTH, and to Honig's promotion ring. Finally, Mats was also formerly Director and chair of audit committee at Wizard Brands (OTC:WIZD), now Creek Road Miners (CRKR). As shown above, Alpha Capital Anstalt was also involved at Wizard Brands:



**We think DATS is a charade surrounded by failed executives, numerous dead companies, and federally-charged promoters and shareholders. We are short.**