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ReserveBlock Foundation
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North Miami, FL 33181

https://www.reserveblock.io/

Re: Whether the NFT Centric blockchain (the "*RBX or Coin*") created by Reserve Block Foundation (the "*Company*") is a security

To Whom It May Concern:

On behalf of the Member, we have acted as special counsel to the Company to provide an opinion as to the creation of the ReserveBlock RBX platform (the "*Platform*") as Coins that will function as a blockchain and store the needed NFT data & scalable utility use within a decentralized structure. This blockchain will support fully scalable and programmable smart contracts and on chain media storage & transfer to create a truly autonomous NFT driven blockchain that is fully decentralized enabling a complete peer-to-peer ecosystem.

This letter is intended to be relied on by the Company in the creation of the Platform as Coins in accordance with the conditions set forth herein. As used herein the term "coin" refers to a native asset of a Blockchain like Bitcoin or Ethereum, whereas "tokens" are created by platforms and applications that are built on top of an existing Blockchain. Coins are used for governance and transactional fees while tokens generally represent an asset. The analysis below can apply to both coins and tokens.

Facts and Assumptions

In connection with rendering this opinion, we have investigated such matters and examined such documents, as we have deemed necessary. In examining the documents, we have assumed the genuineness of signatures (both manual and conformed), the authenticity of documents submitted as originals, the conformity with originals of all documents furnished as copies, and the correctness of the facts set forth in such documents. Nothing came to our attention during the course of our investigation that led us to conclude that any such documents were not genuine or authentic or that the facts set forth therein were not true. Any opinion expressed herein relates only to the Coins and should not be relied on by any other person or in connection with any other transaction.

This opinion is expressed solely on the facts and assumptions set forth herein and is specifically limited to the investigation and examinations stated and such other investigation as we deemed necessary. After such investigation we know of no facts which lead us to conclude that any opinion set forth below is not correct.

Pursuant to this engagement, we have examined the following specific document or have received the following representation:

a. RBX Blockchain White Paper of 2022 (the "*White Paper*").

Based on the foregoing, we find that:

a. The Coins as currently used are not securities.

Discussion

"The federal securities laws apply to those who offer and sell securities in the United States, regardless of whether the issuing entity is a traditional company or a decentralized autonomous organization, regardless whether those securities are purchased using U.S. dollars or virtual currencies, and regardless whether they are distributed in certificated form or through distributed ledger technology."[1] The big issue is whether the digital asset is a "security"[2] under federal securities laws. The term "security" includes an "investment contract," stocks, bonds, and transferable shares among others. It is important for those involved in ICOs to analyze digital assets to see whether they have the characteristics of any "security" under the federal securities laws (specifically, the Securities Act of 1933 (the "Securities Act") and the Securities Exchange Act of 1934 (the "Exchange Act"). Commissioner Peirce said, "an analytical approach—defining an instrument by its function not its form—can be useful when we're confronted with something that seems entirely new and difficult to categorize."[3]

Therefore, the focus of this opinion letter is to determine whether the Coins have the features of an investment contract, among other key considerations for those involved in some schemes subject to regulation, under standards established by the U.S. Supreme Court in *SEC v. W.J. Howey Co*.[4]

***SEC v. W.J. Howey Co*.**

[1] Report of Investigation Pursuant to Section 21(a) of the Securities Exchange Act of 1934: The DAO (July 25, 2017); SEC Rel. No. 81207, 34-81207.
[2] The term "security" is defined in Section 2(a)(1) of the Securities Act of 1933 (the "Securities Act"), Section 3(a)(10) of the Securities Exchange Act of 1934, Section 2(a)(36) of the Investment Company Act of 1940, and Section 202(a)(18) of the Investment Advisers Act of 1940.
[3] Securities and Exchange Commission. (2018, May 21). Beaches and Bitcoin: Remarks before the Medici Conference. [Press Release] available at https://www.sec.gov/news/speech/speech-peirce-050218.
[4] 328 U.S. 293, 301 (1946); *see also United Housing Found., Inc. v. Forman*, 421 U.S. 837, 852-53 (1975). Other standards may apply to the characterization of a token depending on its characteristics. *See, e.g., Reyes v. Ernst & Young*, 494 U.S. 56 (1990).

In *Howey,* the U.S. Supreme Court have found that an "investment contract" exists when there is the investment of money in a common enterprise with a reasonable expectation of profits to be derived from the efforts of others.[5] The "*Howey* test" applies to any contract, scheme, or transaction, regardless of whether it has any of the characteristics of securities.[6] The focus of the *Howey* test is on the form and terms of the instrument itself as well as on the circumstances surrounding the digital asset and the manner in which it is offered, sold, or resold, including secondary market sales. Consequently, issuers and anyone involved in the marketing, offer, sale, resale, or distribution of any digital asset will need to examine the trades to see if the federal securities laws apply.

Hence, the focus for purposes of this opinion is on the term "Blockchain."[7] Blockchain is a type of distributed ledger technology ("DLT") that shares recorded information. [8] It is a digital, decentralized ledger that uses software algorithms to record all transactions distributed across a peer-to-peer network. A network of computers maintains and updates the recorded information.[9] Advanced cryptography protects and secures the network.[10] To change the ledger, market participants need to agree on a transaction's validity.[11] Participants confirm transactions without the need for a central certifying authority, comparable to a central bank. Without agreement between market participants, no modification is possible to past transactions, and without this type of agreement and verification, no additions of new transactions can be effected on the ledger.[12] Each party participating in the network keeps a copy of the distributed ledger and witnesses each transaction. Transactions are gathered into blocks, validated, and added to the shared ledger.

Tokens or coins that are distributed and tracked through a blockchain can be considered cryptocurrency.[13] Not all cryptocurrencies are used like traditional currencies.[14] There are companies that define their cryptocurrencies as securities and others that warrant that their

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[5] *SEC v. W.J. Howey Co.*, 328 U.S. 293, 301 (1946) ("*Howey*"). *See also United Housing Found., Inc. v. Forman*, 421 U.S. 837, 852-53 (1975) ("*Forman*"); *Tcherepnin v. Knight*, 389 U.S. 332 (1967) ("*Tcherepnin*"); *SEC v. C. M. Joiner Leasing Corp.*, 320 U.S. 344 (1943) ("*Joiner*").

[6] Whether a contract, scheme, or transaction is an investment contract is a matter of federal, not state, law and does not turn on whether there is a formal contract between parties. Rather, under the *Howey* test, "form [is] disregarded for substance and the emphasis [is] on economic reality." *Howey*, 328 U.S. at 298. The Supreme Court has further explained that that the term security "embodies a flexible rather than a static principle" in order to meet the "variable schemes devised by those who seek the use of the money of others on the promise of profits." *Howey,* 328 U.S. at 299.

[7] David W. Adams, John C. Amabile, and Brian S. Cromwell, *§ 2018-8.03 A Brave New World: Cryptocurrency, Blockchain, and the Complex and Ever-Changing Regulatory Framework,* 2018 THE BANKING LAW JOURNAL § 2018-8.03

[8] *Id.*

[9] *Id.*

[10] *Id.*

[11] *Id.*

[12] *Id.*

[13] *Id.*

[14] *Id.*

tokens or coins are not securities.[15] Encryption methods secure cryptocurrencies to control the creation of monetary units and to verify the transfer of funds. Cryptocurrency does not use any third-party processor of electronic payments. Since cryptocurrency is recorded on a blockchain, transactions are recorded and visible to all users.

Bitcoin is a good example of the difficulties of defining cryptocurrencies.[16] Bitcoin can be used like a regular currency (Dollars or Euros) being exchanged for goods or services and called utility token.[17] In addition, Bitcoin can be traded as a commodity with its fluctuation on prices depending on the market conditions and called security token.[18] These two possibilities may classify Bitcoin as a store of value and an investment vehicle.[19]

Companies use utility tokens to provide utility on their network and avoid selling them as securities. The Issuer intends that these tokens be seen as the sale of a product. Utility tokens' value is not directly tied to the company's value. Labeling cryptocurrencies as utility tokens often becomes part of the definition of the tokens. Utility tokens that are not securities and are not sold like a security avoid the SEC's stringent provisions.[20]

In contrast, there are tokens which the issuer acknowledges them as securities and called them security tokens. These are used in ICOs that recognize that the value of the cryptocurrency is tied to the value of the company issuing the cryptocurrency. The Issuer must comply with SEC's laws and regulations for the sale of securities.[21]

Whether a token is a security depends on the function the token performs. If the tokens can be used only to purchase existing goods and services from the platform (utility tokens), they are not considered investment contracts under the consumption doctrine after applying the *Howey* test. Instead, tokens representing an interest in a company or to-be-formed company might be considered securities. The SEC has confirmed that digital tokens issued by a virtual organization known as "the DAO" were securities.[22]

The SEC staff in its report[23] on the DAO investigation noted that the question of whether a token is a security is a facts and circumstances analysis that will differ for each token.
In addition, the SEC issued a cease and desist order to Munchee Inc., a smartphone app developer that sold digital tokens to raise funds (the "Munchee Order"),[24] and Jay Clayton, the SEC Chairman, released a "Statement on Cryptocurrencies and Initial Coin Offerings" (the "Clayton Statement").[25] The Munchee Order and the Clayton Statement both emphasize the

[15] *Id.*
[16] *Id.*
[17] *Id.*
[18] *Id.*
[19] *Id.*
[20] *Id.*
[21] *Id.*
[22] The SEC expressed it on a Report of Investigation Pursuant to Section 21 of the Securities Act.
[23] The Report is available at: https://www.sec.gov/litiqation/investreport/34-81207.pdf.
[24] The Munchee Order is available at: https://www.sec.gov/litiqation/admin/2017/33-10445.pdf.
[25] The Clayton Statement is available at: https://www.sec.gov/news/public-statement-clayton-2017-12-11.pdf.

application of the facts and circumstances analysis under *Howey* to ICOs and scrutinize the classification of tokens regardless of their labels or categorizations by offerors.

The following factors apply in deciding whether a transaction involves a "security."[26] First, the court examines the transaction to evaluate the motivations that would prompt a reasonable seller and buyer to enter into it. When the seller's motivation to raise money is for general use of the enterprise or for financing substantial investments and the buyer is interested in the profit the digital asset is expected to generate, the instrument is a security. If the digital asset is traded to purchase and sale consumer goods, to alleviate seller's cash-flow difficulties, or to undertake other commercial or consumer purpose, the digital asset is not a security.[27] Second, the court examines the "plan of distribution" of the instrument[28] to determine whether it is an instrument in which there is common trading for speculation or investment.[29] Third, the court examines the reasonable expectations of the investing public. The Court would regard the digital asset a security on the basis of public expectations, even where circumstances of the transaction suggest that the digital asset is not a security as used in that specific transaction.[30] Finally, the court examines whether the application of the Securities Acts is unnecessary if there is a factor such as the existence of another regulatory system that significantly reduces the risk of the instrument.[31]

Each element of the *Howey* test is addressed below.

A. The Investment of Money

In the offering and selling of digital assets, the first prong of the *Howey* test is generally satisfied because buyers purchase or obtain digital assets in exchange for value, whether in the form of any type of currency, another digital asset, or other type of consideration.[32]

B. Common Enterprise

Most of the times, the "common enterprise" element has been analyzed by the courts as a separate element of an investment contract. In order to satisfy the "common enterprise" element of the *Howey* test, courts require that there exists either "horizontal commonality" or "vertical

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[26] *Reves v. Ernst & Young*, 494 U.S. 56, 66 (1990).
[27] *See, e.g., Forman*, 421 U.S., at 851 (share of "stock" carrying a right to subsidized housing not a security because "the inducement to purchase was solely to acquire subsidized low-cost living space; it was not to invest for profit").
[28] *SEC v. C. M. Joiner Leasing Corp*., 320 U.S. 344, 353 (1943).
[29] *id*., at 351.
[30] *See Forman, supra*, at 851.
[31] *See, e. g., Marine Bank v. Weaver*, 455 U.S. 551, 557-559 (1982).
[32] "In determining whether an investment contract exists, the investment of 'money' need not take the form of cash" and "in spite of *Howey's* reference to an 'investment of money,' it is well established that cash is not the only form of contribution or investment that will create an investment contract" as the Commission explained in *The DAO Report*. *The DAO Report* at 11 (citation omitted). *See In re Tomahawk Exploration LLC*, Securities Act Rel. 10530 (Aug. 14, 2018) (issuance of tokens under a so-called "bounty program" constituted an offer and sale of securities because the issuer provided tokens to investors in exchange for services designed to advance the issuer's economic interests and foster a trading market for its securities).

commonality."[33] In addition, a common enterprise has been defined as one in which "the fortunes of the investor are interwoven with and dependent upon the efforts and success of those seeking the investment or of third parties."[34] Contrary to the courts requirement, the SEC does not require vertical or horizontal commonality. In addition, the SEC does not view a "common enterprise" as a separate element when analyzing offerings or sales as "investment contracts."[35] In assessing digital assets, the SEC have often concluded that a "common enterprise" exists because the fortunes of the buyers of digital assets have been linked to each other or to the success of the promoter's efforts.[36]

C. Reasonable Expectation of Profits Derived from Efforts of Others

Buyers of digital assets may reasonably expect to make some profits by receiving distributions, dividends, or interests or by realizing appreciation on the assets when selling them at a gain in any secondary market. Profits coming "solely from the efforts of others in an investment contract means the profits that investors seek on their investment, not the profits of the scheme in which they invest."[37] To meet this prong of the *Howey* test, buyers of digital assets should reasonably expect to derive profits from the efforts of a promoter, sponsor, an active third party, or an active affiliated group of any third party that provides essential managerial efforts affecting the outcome of the business. The Court noted that the "economic reality"[38] of the transaction is significant to this analysis and as well as "what character the instrument is given in commerce by the terms of the offer, the plan of distribution, and the economic inducements held out to the prospect."[39] The Court applies an objective analysis that is focused on the transaction and on the manner wherein the issuer or any other sells and offers digital assets. The test is applied in light of "the substance -- the economic realities of the transaction -- rather than the names that may have been employed by the parties."[40]

The following features could be relevant to whether the second prong of the *Howey* test is satisfied.

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[33] *See Revak v. SEC Realty Corp*., 18 F.3d. 81, 87-88 (2d Cir. 1994) (discussing horizontal commonality as "the tying of each individual investor's fortunes to the fortunes of the other investors by the pooling of assets, usually combined with the pro-rata distribution of profits" and two variants of vertical commonality, which focus "on the relationship between the promoter and the body of investors").
[34] *Brodt v. Bache*, 595 F.2d 459, 460 (9th Cir. 1978); *SEC v. Glenn W. Turner Enterprises, Inc.*, 474 F.2d 476, 482 n. 7 (9th Cir. 1973).
[35] *In re Barkate*, 57 S.E.C. 488, 496 n.13 (Apr. 8, 2004); *see also* the Commission's Supplemental Brief at 14 in *SEC v. Edwards*, 540 U.S. 389 (2004) (on remand to the 11th Circuit).
[36] *See SEC v. Int'l Loan Network, Inc.*, 968 F.2d 1304, 1307 (D.C. Cir. 1992).
[37] *SEC v. Edwards*, 540 U.S. 389, 394 (2004) ("'Profits' is used in the sense of income or return, to include, for example, dividends, other periodic payments, or the increased value of the investment.").
[38] *Howey*, 328 U.S. at 298. *See also Tcherepnin*, 389 U.S. at 336 ("in searching for the meaning and scope of the word 'security' in the [Acts], form should be disregarded for substance and the emphasis should be on economic reality.")
[39] *Joiner*, 320 U.S. at 352-53.
[40] *United Housing Foundation, Inc. v. Forman*, 421 U.S. 837, 851-852 (1975). Accord, *Tcherepnin v. Knight*, 389 U.S. 332, 336 (1967); *Howey, supra*, at 298; *Cf. SEC v. Variable Annuity Life Ins. Co*., 359 U.S. 65, 80 (1959) (BRENNAN, J., concurring) ("[One] must apply a test in terms of the purposes of the Federal Acts . . .").

1. Reasonable Expectation of Profits

Evaluations analyzing whether digital assets are investments should also be considered if there is a reasonable expectation of profits. Profits can be capital appreciation on the digital assets stemming from the improvement of the initial investment or business enterprise when selling them at a gain in any secondary market or a participation in earnings by receiving distributions, dividends, or interests stemming from the use of buyers' funds.[41] Price appreciation as a consequence of external market forces, like swings in the economy due to business cycles, impacting the marketability of the underlying digital asset would not be considered "profits" under the *Howey* test.

The following features could be relevant to whether the third prong of the *Howey* test is satisfied.

2. Reliance on the Efforts of Others

When analyzing whether buyers are relying on the efforts of others, it would be good to focus on the following:

- Are buyers reasonably expected to rely on the efforts of any managerial agent?
- Are the managerial efforts the essential key efforts that define the failure or success of the issuer,[42] or just ministerial in nature?

3. Important Points

The courts look to the economic reality of the transaction to assess whether there is a reasonable expectation of profit derived from the efforts of others. Whether a contract, scheme, or transaction is an investment contract is a matter of federal, not state, law and does not turn on whether there is a formal contract between parties. Rather, under the *Howey* test, "form [is] disregarded for substance and the emphasis [is] on economic reality."[43] The Supreme Court has further explained that the term security "embodies a flexible rather than a static principle" in order to meet the "variable schemes devised by those who seek the use of the money of others on the promise of profits."[44] Courts look to whether promoters or managerial agents offer and sell the digital asset for buyers to use or consume or for buyers to invest in the enterprise.[45] When the buyers are not "'attracted solely by the prospects of a return' on [their] investment . . . [and are] motivated by a desire to use or consume the item purchased . . . [,] the securities laws do not apply.").[46]

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[41] *See Forman*, 421 U.S. at 852.
[42] *SEC v. Glenn W. Turner Enter., Inc.*, 474 F.2d 476, 482 (9th Cir.), *cert. denied*, 414 U.S. 821, 94 S. Ct. 117, 38 L. Ed. 2d 53 (1973) ("*Turner*").
[43] *Howey*, 328 U.S. at 298.
[44] *Howey,* 328 U.S. at 299.
[45] *See Forman*, 421 U.S. at 852-53.
[46] *Id.*

The presence of the following features might help to demonstrate that the *Howey* test does not apply:[47]

- The blockchain and digital asset are fully developed and operational, showing no need for further enhancement that could increase the digital asset's value.
- Owners of the digital asset can readily use it for its intended purpose.
- The digital asset does not permit any speculations of its value or further enhancements because the digital asset can only be used on the network to meet the expected needs of its users.
- Digital asset's owners will not be expected to hold it for a long-term investment because the digital asset was created to keep a constant value, or their value might decrease over time.
- A digital asset that is called a virtual currency and can be used to make payments in many platforms or can substitute a real currency. Owners will be able to readily pay for goods or services with it or can save, retrieve, and exchange it for something of value when they desire.
- The digital asset can only be exchanged or redeemed for goods or services, like it is seen that the public currently does in national retail stores.
- The price of the goods or services that are available in exchange for the digital asset relate in every way to the price the digital asset has been offered in the market.
- The amount of the goods or services that are available, bought, and sold in exchange for the digital asset relate in every way to the amount the digital asset is being offered in the market.
- Owners of the digital assets only use them to acquire goods and services on the network or platform.
- The specific goods or services can only or more efficiently be acquired with the digital asset on the network.
- Any increase in the value of the digital asset is related to acquiring it for its envisioned purpose.
- The marketing of the digital asset does not emphasize any possible value appreciation, just the functionality of the digital asset.
- Buyers of the digital asset can use the network and use the asset for its intended purposes.
- No speculative market can be created due to the digital asset's restrictions on the transferability.
- Users of the digital asset can only transfer it to users of the platform on any secondary market supported by promoters or managerial agents.[48]

The presence of the following features might help to demonstrate that the *Howey* test does apply even in cases where a digital asset can be used to purchase goods or services on a network that is being developed or improved: the digital asset is discounted compared to the value of the goods or services; the amount of the digital asset offered or sold exceeds its reasonable use; and the reselling of the digital asset is poorly restricted.

[47] https://www.sec.gov/corpfin/framework-investment-contract-analysis-digital-assets
[48] *See, e.g., Gary Plastic Packaging Corp. v. Merrill Lynch, Pierce Fenner & Smith*, 756 F.2d 230 (2d Cir. 1985).

Based on the information presented, we can say that:

1. RBX handles heavy demand of NFTs.
2. RBX will allow both metadata and actual digital and physical good reference.
3. RBX will help decentralize issuance, governance, media, marketplaces, and the tokenization of physical assets all on-chain.
4. RBX created a language called Trillium that allows for programmable smart contracts that are solely focused on driving NFT technology further.
5. RBX solution starts with a timestamp server or device to prove that the data must have existed at the time to proceed into the hash.
6. RBX validating is a process in which users will provide proof of ownership of 1,000 native coins (RBX) to join the network of validators. As a validator they have a chance to solve and craft a block for the current block height reward so long as those coins do not leave the validators core wallet. In addition, they have one vote per validator and the right to propose network changes, updates, and anything else that they believe will be a benefit to the network.
7. RBX utilizes beacons that help secure asset transfer for NFTs.
8. RBX applies the game theory and Nash's equilibrium that produces a unique environment where the winners of a block are not only random, but do not have any advantage over any other validators.
9. Adjudicators push the winning blocks to the validators. They also help to audit the work of the all validators to ensure positive work is being done and that no negative or counter-productive work is being done by a validator.
10. RBX includes a solution to transport media/assets between users to continue to keep all aspects decentralized. It is called a beacon system with a server and a client or a client owning its own beacon.
11. Adjudicators are not required to put up any collateral and act as a network enforcement layer to ensure that validators are acting correctly, as well as remove and warn others about any validators that may attempt to deceive the network. Adjudicators act as the pseudo police of the validators.
12. Adjudicators monitor validators warning others of bad actors.
13. RBX follows the ECDSA curve to produce keys.
14. RBX supports the use of hierarchical deterministic wallets through BIP-32 and BIP-39 standards.
15. Many current practices for other cryptocurrencies can be applied to easily create other decentralized products or integrate to current ones.

16. RBX protocol provides a convenient mechanism for joining the network as a node and securing block rewards for it through a system called proof of assurance ("PoA").
17. RBX does not take data away from the blockchain. Now, it just adds value to the platform because of expectation of coin's utility by exchange of it for services, transactions, transfers, tracking, mining and governance in marketplaces and swaps.
18. RBX is the internal cryptocurrency of the blockchain. It is used to feed the transactions on the network and reward users for strengthening the system through the networks staking system.
19. Transaction costs are alleviated by rewarding the masternodes as opposed to rewarding them transaction costs.
20. An amount of RBX is required to deploy a contract.
21. RBX contract code being NFT centric allows for a vast array of tools and features to store and transfer media.
22. RBX NFTs have standardized features like royalty enforcement.
23. A contract will contain the royalty information to allow for decentralized royalty payment enforcement to the original creator of the NFT.
24. The code in an RBX smart contract is written in a basic level language and ran on RBX nodes (RBX assembled compiler code or "RAC Code"). It is designed to allow the caller to do as little work as possible.
25. The RBX blockchain is inherently similar to the Bitcoin blockchain. The main difference is the ability to storing smart contract codes and media for NFTs. The block structure, however, is similar to Ethereum.
26. Masternodes earn payment (rewards) for their services to the network like Bitcoin mining and drastically help reduce volatility and friction.
27. To become a masternode, the owner of the client must secure an address belonging to them and have control over the address with certain (X) amount of RBX native coin.
28. Masternode rewards calculation for standard payment: (m/tm) * r * b * p. Where: "m" is the number of masternode clients someone owns; "tm" is the total masternodes active on the network; "r" is the correct block reward; "b" is the average blocks being submitted in one (1) day; and "p" is the average payment for a masternode. This number will grow as more masternodes come online. This is known as a difficulty curve, much similar to Bitcoins.
29. RBX has a reward and halving schedule.
30. Tokens are a feature that will enable users to create digital currencies that can be transferred amongst other users to provide a wider range of use on the RBX network.

Conclusion

Based on our examination of the above-described document and relevant law and subject to the limitations expressed herein, we are of the opinion that the Tokens are not securities, and the Court and the SEC would regard the digital asset not a security on the basis of public expectations, even where circumstances of the transaction suggest that the digital asset is a security as used in that specific transaction. The Tokens are neither offered for sale, marketed, sold, nor promoted. Therefore, there are no motivations that would prompt a reasonable seller and buyer to enter into it. If the digital asset is traded with regard to the purchase and sale of consumer goods, to alleviate seller's cash-flow difficulties, or to undertake other commercial or consumer purpose, the digital asset is not a security.[49] Currently, there is no distribution to examine the "plan of distribution" of the instrument[50] and determine whether it is an instrument in which there is common trading for speculation or investment.[51]

Accordingly, we are further of the opinion that the tokens do not give anyone a reasonable expectation/possibility to profit on the efforts of others because value is obtained from additional resources the token holder adds to the network and the tokens are not sold and resold to interested parties that would use them for speculation, even though promoters or managerial agents continue making decisions about the network and the rights of the digital asset like: deciding on the conditions that anybody might receive additional tokens; making managerial decisions; leading the validation or confirmation of transactions in the blockchain; guaranteeing the network's security; and impacting the success of the network. Besides, no one can reasonably profit on the speculative value because they are not traded as commodities with their fluctuation on prices depending on the market conditions. No speculative market can be created due to the digital asset's restrictions on the transferability. Owners of the digital assets can readily use them for its intended purpose. Owners of the digital assets only use them to acquire goods and services on the network or platform. The specific goods or services can only or more efficiently be acquired with the digital asset on the network.

This opinion is given only with respect to a specific transaction in the Tokens to which this opinion relates as set forth above and may not be relied on by any other person holding securities, whether in the Company or in any other corporation. The Company may rely on this opinion only based upon the facts and circumstances described herein. No other use of this opinion is authorized without the express written consent of the undersigned.

Very Truly Yours,
JONATHAN D. LEINWAND, P.A.

By: _____
Jonathan Leinwand, Esq.

[49] *See, e.g., Forman*, 421 U.S., at 851 (share of "stock" carrying a right to subsidized housing not a security because "the inducement to purchase was solely to acquire subsidized low-cost living space; it was not to invest for profit").
[50] *SEC v. C. M. Joiner Leasing Corp*., 320 U.S. 344, 353 (1943).
[51] *id*., at 351.