

PRYVATECOIN

Legal Opinion

Rahul Dev

BS, MS, MBA, LLB (JD), DBA (c) SSBM Geneva | International Legal Consultant

Law Office of Rahul Dev

Level 18, OHC, Gurgaon

HR – 122002, India

www.patentbusinesslawyer.com

rd@patentbusinesslawyer.com

Legal Opinion – PryvateCoin

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1. Introduction

This Legal opinion has been prepared upon request of Pryvate, to serve an independent legal analysis of PryvateCoin, and their level of compliance as compared to the requirements of the Listing Rules for the Trading Venue operated by Exchanges.

The present Legal opinion has been prepared based on information furnished by the Pryvate team.

The author shall guard this position with respect to its consideration by courts or authorities if it will be necessary.

The author is an international legal consultant with common law jurisdiction license, and for any specific jurisdiction, a licensed attorney can be engaged as an official authority for Exchanges incorporated within said specific jurisdiction.

Subject to the foregoing, the author hereby presents the opinion concerning the issuance of PryvateCoin TOKENS, and their compliance with the requirements of the Listing Rules for the Trading Venue operated by Exchanges.

This legal opinion is made due to a complete analysis of the "legal matters" of the PryvateCoin Tokens, a business model of the Company, token function, processing and organizational model, services and products of the company, and, the sales terms of the tokens.

2. Business Model

The primary business of Pryvate (hereinafter referred to as “**Pryvate**” or “**PryvateX**” or the “**Company**” or the “**Platform**”) is to provide a secure communication and trading ecosystem with commercial and consumer offerings, including a hybrid cryptocurrency multi fiat-currency spot-exchange and STO Launchpad, and a Global Voice & Data SIM offering.

In simple words, Pryvatex is a full-featured cryptocurrency trading ecosystem across various exchanges and communications suite of products.

The Company achieves this by providing its token, PryvateCoin (“**PryvateCoin Token**”, or the “**PVC Token**” or the “**Token**”).

2.1 Pryvate Platform

The Pryvate platform is developed using blockchain technology provides a suitable basis for such platform-based ecosystems. In blockchain, data is stored in the form of ledgers connected to each other. This ecosystem issues its own digital currency (PryvateCoin token) that can be used as a value unit to self-govern its business model, and empower its users to interact with its products, while facilitating the distribution and sharing of rewards and benefits to all of its users.

Further, smart contracts on the blockchain give the ability to authenticate and prove ownership. The Pryvate marketplace is based on providing a secure platform for communication and trading based on blockchain.

The Pryvate platform is a Secure Communications Platform (SCP) that allows business and personal communications to remain private and free from hacking. The platform is user-friendly and enables military-grade encryption for mobile, landlines, voice and instant messaging, video and conference calls, and includes anti-global blocking, encrypted email and file storage.

In other words, the platform allows many of its features to be decentralized, incentivize active and positive participation, block bad and abusive behavior and create an equitable and transparent system of rewards in which all users have a say.

Furthermore, by tokenizing the SCP, the intention is to create an integrated P2P app, a secure platform with an incentive-based service that guarantees wrap-around full security throughout the ecosystem.

Pryvate also addresses the universal concern of crypto-hijacking with a multi-sig enterprise wallet to be implemented by major cryptocurrency exchanges providing a system of military-grade encryption technologies protecting and safeguarding fiat and cryptocurrency trade.

3. PVC TOKEN

In use, the Pryvate platform provides PryvateCoin token, which is claimed to include various utility features as described hereinbelow.

In use, PryvateCoin (PVC) token is an ERC-20 compatible token and is a critical component of the application that enables several key functions within the Pryvate Ecosystem.

Initially, PryvateCoin can be used as a utility to purchase extended app features, mobile minutes, mobile data, allowing reduced trading fees, and fiat to crypto conversion costs.

Furthermore, PVC tokens are also used to raise capital to continue producing additional products, including, but not limited to free "Pryvate Dead-Man-Switch" and the full-featured version called "Pryvate SmartWill", DEX exchange allowing trading directly from hardware wallets, starting with Ledger Nano X, additional fiat currency pairings with marketing of the Spot-Exchange in new markets and the like.

Moreover, payments for services using the PVC token provide access to benefits like discounts, premium features and exclusive previews of beta developments. All users will be able to acquire PVC tokens during the sale phase and after that, they will be available for trade in cryptocurrency exchanges. The maximum supply of PVC on the platform is 50,000,000.

The PryvateCoin TOKEN is supported by a user's "utility of membership" of their usage of the Pryvate platform, but not in their legal entity.

More specifically, the value of each of these tokens will depend upon multiple factors, including the quantity of tokens, participation by the users, wherein with the increase in participation of the user, the valuation of the token may increase.

In addition, the incentives provided by using such tokens may pique the interest of the user, thus increasing their participation in the platform that further escalates the value of these tokens. Also, a limited number of tokens will have a deflationary effect on the ecosystem, and with a growing distribution of tokens with time, their demand and pricing may increase further.

Accordingly, the users, as holders of PryvateCoin token may experience a rise in the value of the tokens that is commensurate with a rise in the participation by different users, individually and / or collectively as part of the Pryvate platform.

Consequently, the PryvateCoin token values are fully outside the control of external third-party influences, external actors or external events in its entirety.

Therefore, due to the fact that Pryvate is an online virtual platform, the PryvateCoin token could be considered as a utility token or a "membership benefit".

The PryvateCoin tokens are aimed at providing a tool for availing the benefits of the Pryvate platform.

In other words, PryvateCoin tokens may be treated as an internal accounting unit of the Pryvate platform based on blockchain technology, which users can exchange for products and services as per the offerings of the company.

On the Pryvate platform, there are several scenarios of using the PryvateCoin tokens, all of which relate to utility aspects as disclosed herein.

All scenarios of the PryvateCoin tokens are strictly ordered and implemented with various blockchain solutions.

There are no other scenarios that are considered as technically feasible.

None of the scenarios of utilizing the token has the signs of securities rights realizing.

The PryvateCoin tokens have their own value (utility) regardless of the company's assets.

Such a digital instrument is not part of any of the Company's assets.

In addition, a value and current price of the PryvateCoin token does not depend on a value of the company's business, cost of the assets, and company's profit.

Therefore, under any circumstances, platform users and token-holders do not have any right and / or technical ability whatsoever to receive the relevant part of the company's profit.

The Pryvate platform does not keep PryvateCoin tokens on its accounting company balance, so under securities and accounting laws, the PryvateCoin tokens are not the asset of the Company.

Furthermore, the founders of the Pryvate platform have no ability whatsoever to cause any effect on the PryvateCoin token price.

Instead, the current price and the exchange rates of the PryvateCoin token directly depend on user-centric activity wherein online user engagement dictates person user-centric exchange rates.

Hence, the PryvateCoin token price directly depends on pure statistical events and dynamics of the actions of token-holders to use said tokens deployed in the Pryvate platform.

4. Examination of PVC Token

The primary purpose and subject of this analysis is to identify the hidden or evident signs of securities, investments, and violations of investors' rights, if any.

As a result, it must be ensured that PryvateCoin tokens are not a "digital surrogate" of securities.

Therefore, readers must understand that there is no option to use the PryvateCoin tokens as securities and understand the below-mentioned examination.

4.1 Overview of Examination

Based on the information available on the date of compiling this opinion, including the website <https://pryvatecoin.io> as published on September 17, 2021, whitepaper provided to me on September 9, 2021, the thorough analysis of various business processes associated with the Pryvate platform does not result in a single process that qualifies as a potential relationship between an investor and an Issuer of securities.

At the same time, if the Company decides to register the issue of securities, it will not be possible to prove to the requisite regulatory body that tokens are securities.

Additionally, all the business processes associated with the Pryvate platform and relationships between platform users do not relate to any investment or any stock exchange activity.

It is pertinent to note that there does not exist a specific or dedicated branch of law that covers cryptocurrency transactions and production of digital assets.

Therefore, it is not possible to qualify a PryvateCoin token as a security token.

4.2 Promissory Income

The present analysis is further aimed at determining whether there exists a promise of income to the users.

A promissory income is a financial instrument that refers to a written promise by one party to pay another party a definite amount of money.

Herein, the tokens in question (PryvateCoin tokens as mentioned in the White Paper) are not security tokens as per Howey's test (that has been explained below).

Therefore, these tokens are considered to be utility tokens that do not provide promissory income rather are used as a digital-coupon/voucher/lotteries or provide incentives in the form of rewards that can be redeemed in the future for discounted fees or special access to a product or service.

This step requires explicit understanding of the legal definitions of “profits” and “income from securities”.

With reference to security laws, “Expectation of Profits” refers to a right to earn profits from the business activities of the Company.

However, with regards to the Pryvate platform, the users do not have any right to the company’s profits as the users do not receive any “Expectation of Profits”.

Instead, the users receive the PryvateCoin token to be applied on the Pryvate online blockchain based platform according to the specific instructions.

At any instant, the current price of the PryvateCoin tokens depends upon a particular set of indicators, and more precisely, on the factors stated hereinabove.

Subsequently, users also have the right to take independent decisions to use the PryvateCoin tokens for various participatory actions.

Therefore, the PryvateCoin token price depends on one or more statistical events along with dynamics of one or more actions taken by the users of the Pryvate platform.

4.3 Qualification as Security Token (Howey Test)

The present analysis is further aimed at determining whether there exists a promise of any income to the users.

Essentially, PryvateCoin tokens are aimed for specific utility features as listed herein.

This does not involve the investment of money.

The user use, collect and purchase such token entirely.

Further, the use of these token will provide no guaranteed amount or any profit.

Accordingly, to analyse whether PryvateCoin tokens in question qualify as Security Token or not, Howey's test was performed.

According to the SEC, the “Howey Test” is performed to determine whether a token falls under securities regulations and qualifies as a Security Token or not. Security Tokens are transactional contracts that are used as investments, providing guarantee or profit or promissory income.

The Howie test is a series of questions/conditions as mentioned below:

- 1) It is an investment of money
- 2) There is an expectation of profits from the investment
- 3) The investment of money is in a common enterprise
- 4) Any profit comes from the efforts of a promoter or third party.

If these conditions are fulfilled then the tokens qualify as Security Token, whereas, if the test is negative, then tokens qualify as Utility Tokens.

Security Tokens or investment tokens promises future capital, embedded legal rights like shares in companies and other securities, bonds and the like.

On the other hand, Utility Tokens used as digital voucher or license that grant incentives and rights inside the token community over certain products and services, other tokens, rights to vote on functionalities of the product and the like.

In use, a utility token does not substantiate a monetary claim whereas it only grants a voucher-like right to non-monetary services. Such tokens do not include direct

participation in the company's success. It is therefore comparable to a commodity that does not come under the concept of securities.

Additionally, such utility token does not promise interests, profit sharing or other compensation and is therefore not considered an investment. Moreover, the utility token does not reflect a claim for money against the issuer, rather it serves as a voucher that can be redeemed for goods or services. Therefore, its negotiability on the crypto exchanges corresponds to the trading with goods and not with security.

From the above comprehensive analysis and after performing the Howey Test, it is evident that the tokens in question (PryvateCoin tokens) are not Security Tokens as they failed the test.

Hence, such tokens may be considered as Utility Tokens that do not provide promissory income rather are used as a digital coupon/voucher that can be redeemed in the future for discounted fees or special access to a product or service.

In this case, these tokens are used for a precise set of utility features explained hereinabove.

4.3 General Conclusions

The present opinion is based on the fact that there does not exist any Whitepaper promising "Expectation of Profits" to the token buyers. However, the token holders may possibly receive an income from PryvateCoin tokens by their own efforts.

Accordingly, the present legal opinion is a result of a thorough analysis of the "legal matters" of the PryvateCoin token, the business model of Pryvate platform, one or more functions of the PryvateCoin tokens, and business processes of the company.

Token Examination Details

(a) Legal structure of issuing entity

The legal structure of the issuing entity is Pryvate Ltd.

(b) Existence of continuous offer

A continuous offer refers to an agreement that may not be withdrawn, changed or modified by the company or a conversion partner without the prior written consent of the company and each optionee. In this case, there is no continuous offer.

(c) Redemption rights offered

Upon a distribution event within an offering, investors are given the option to "Redeem" their digital assets in exchange for cash proceeds, these options to redeem their digital assets referred to as redemption rights.

In this case, the token in question (Pryvate) is a utility token, as evident from Howey's test, and offer redemption rights to its users because the utility tokens can be redeemed in exchange for a specific product/function provided by the token issuer directly.

(d) Are tokens transferable

Tokens are transferable or not is not specified.

(e) Is token presented as a share

Shares indicate the ownership interest in a company that exists as a financial asset providing for an equal distribution in any residual profits, in the form of dividends. The security tokens or investment tokens promise future capital, embedded legal rights like shares in companies and other securities or bonds.

In contrast, utility tokens are used as digital vouchers or licenses that grant incentives and rights inside the token community over certain products and services and do not promise future capital or shares in the company.

Therefore, the token in question (Pryvate) is a utility token, as evident from Howey's test, and is not presented as a share.

(f) Any promise to provide dividend, interest or promissory income

Utility tokens do not promise interests, profit sharing or other compensation and are therefore not considered an investment. Moreover, the utility token does not reflect a claim for money against the issuer, rather it serves as a voucher that can be redeemed for goods or services.

Therefore, the token in question (Pryvate) is a utility token, as evident from Howey's test, and does not provide dividend, interest or promissory income.

(g) Whitepaper exists or doesn't exist

Yes, the platform has provided its Whitepaper wherein no such profit expectations statements were made. If no such statements were made in that regard, security would not be at hand.

Moreover, the whitepaper does not constitute an offer to sell other shares or securities, nor does it form a solicitation to buy shares or securities.

(h) Does token qualify as financial instrument

Financial instrument gives rise to a financial asset of one entity (holder), and a financial liability or equity instrument of another entity (issuer). A utility token does not substantiate a monetary claim whereas it only grants a voucher-like right to non-monetary services.

Such tokens do not include direct participation in the company's success. It is therefore comparable to a commodity that does not come under the concept of securities.

Therefore, the token in question (Pryvate) is a utility token, as evident from Howey's test, and does not qualify as a financial instrument.

(i) Does token qualify as transferable security

Transferable securities are types of financial assets that can be freely exchanged between participants in the capital markets such as shares in companies (listed or unlisted), bonds, other forms of secured debt and the like.

On the other hand, a utility token does not promise interests, profit sharing or other compensation and is therefore not considered an investment. Moreover, the utility token does not reflect a claim for money against the issuer, rather it serves as a voucher that can be redeemed for goods or services.

Therefore, the token in question (Pryvate) is a utility token, as evident from Howey's test, and does not qualify as a transferable security.

(j) Does token qualify as money market instrument

Money market instruments are debt securities that generally give the owner the unconditional right to receive a fixed amount of money on a stipulated date and are traded, at a discount, in organized markets, the discount depends on the interest rate and the time remaining to maturity.

On the other hand, a utility token does not substantiate a monetary claim whereas it only grants a voucher-like right to non-monetary services.

Such tokens do not include direct participation in the company's success.

It is therefore comparable to a commodity that does not come under the concept of securities.

Therefore, the token in question (Pryvate) is a utility token, as evident from Howey's test, and does not qualify as a money market instrument.

(k) Does token qualify as financial derivative instrument

A financial instrument is a document that has monetary value or establishes an obligation to pay such as cash, foreign currencies, accounts receivable, loans, bonds, equity and the like.

On the other hand, a utility token does not substantiate a monetary claim whereas it only grants a voucher-like right to non-monetary services.

These tokens do not include direct participation in the company's success and are comparable to a commodity that does not come under the concept of securities.

Therefore, the token in question (Pryvate) is a utility token, as evident from Howey's test, and does not qualify as a financial instrument.

5. Conclusion

The PryvateCoin Tokens are not security tokens.

The primary contentions of reliance are:

(a) The Pryvate business model provides PryvateCoin tokens that have their own (utility) value regardless of the company's assets. The PryvateCoin token may be treated as digital instruments but do not form part of the Company's assets.

The PryvateCoin tokens act as a business tool to provide a specific functionality to the users of the platform. The Pryvate platform provides one or more options to the users

for using the PryvateCoin tokens, wherein such options depend upon the choice of the token holders.

(b) The PryvateCoin tokens do not form part of any investment agreement to be used as an asset to buy the shares of the Company.

(c) The buyers of the PryvateCoin tokens do not have any rights to the company's profit. The PryvateCoin tokens do not give uniform rights to their holders. This fact excludes the identification of the PryvateCoin tokens as securities.

Instead, the PryvateCoin tokens provide a personalized value to each token holder.

(d) To the best of my knowledge, founders of Pryvate platform do not have any ability to effect on the token price.

The market price of the PryvateCoin tokens does not influence on the company's profit and the company's profit does not influence on the PryvateCoin token's market price.

(e) The current price of the PryvateCoin tokens depends on a specific set of indicators, such as, the extent, value and quality of participation by users of the Pryvate platform.

Therefore, the PryvateCoin token's price depends on user's usage statistics and dynamics of one or more actions of the users.

(f) No signs of fraud and scam, Ponzi scheme, tort, consumer fraud, known schemes of income laundering and tax evasion have been discovered.

Very Truly Yours,



Rahul Dev,

International Legal Consultant

Annexures:

(a) Annexure A – Author Credentials

Annexure A

Author Credentials

Rahul Dev is DBA (Doctor of Business Administration) Research Scholar, at Swiss School of Business and Management, Geneva, Switzerland wherein he focusses his research work on blockchain and cryptocurrency. He is licensed attorney in the common law jurisdiction (India) and was selected among top 10 candidates from New Delhi, India to get selected as patent attorney in 2006 by the IPO, Ministry of Commerce and Industry, Government of India.

As a licensed advocate and patent attorney, he practices as a tech corporate blockchain lawyer with over 15 years of experience in Asia Pacific, US and Europe and manages Legal Opinions on Utility Tokens, Blockchain Consulting, Smart Contracts and International Projects.

Since 2009, he has been associated with Melvin K Silverman and Associates, Florida, USA as an associate (<https://www.mkspc.com/about/>).

His work in various fields (corporate, security, capital markets and technology law) has been recognized by leading international associations including LawAsia, International Bar Association, Bloomberg, Quartz, Business Standard, BioSpectrum Asia, SwissInfo, CNBCTV18, Economic Times, Times of India, Digital News Asia, Outlook Money, Indian Express, CXO Today, Global Legal Post, First Post, VCCircle, Yahoo News, Financial Market Leaders, Leaders Speak etc.