

## **Bitcoin.h**

### **General Introduction**

The project that our client has launched is **Bitcoin.h**, a proposed sustainable alternative to traditional Bitcoin. It aims to address the environmental challenges posed by Bitcoin's high energy consumption, which contributes significantly to global carbon emissions. Bitcoin.h is powered by Hashgraph technology, offering a low carbon, more energy-efficient, and faster solution for cryptocurrency transactions.

Key features include:

- Faster transactions and lower fees compared to Bitcoin.
- Decentralized governance by a global network of reputable institutions.
- A fixed supply of 21 million tokens, similar to Bitcoin, maintaining its scarcity as a store of value.
- The ability to process micro-transactions at minimal cost.

The project advocates a transition from Bitcoin 1.0 to Bitcoin.h for ecological sustainability, emphasizing the importance of collective action from governments, businesses, and individuals to replace Bitcoin with this greener alternative. Bitcoin.h token offers transparency, decentralization, anonymity, and security. Its transactions are completely untraceable and under the dealer's control, and the identities of the owners remain anonymous, contributing to the platform's security. It is possible to execute micro-transactions using Bitcoin.h, allowing transfers as small as 0.00000001 BTC.h. Each transaction will incur a fixed fee of \$0.0001 USD, irrespective of the transaction size, ensuring cost-efficiency for even the smallest transactions.

The Bitcoin.h token is our main focus. The aim of this legal opinion is to explain why this Token is a utility token, does not qualify as a security under both European legislation of cryptocurrencies and is also not legally required to be registered under the SEC [Securities and Exchange Commission] Securities Act of 1933 (Securities Act) and the Securities Exchange Act of 1934 (Exchange Act).

## Definitions

1. Cryptocurrencies – means a digital asset in which encryption techniques are used to regulate the generation of units and to verify the transfer of funds, generally operating independently of a sovereign central bank. Cryptocurrencies may also be referred to as “Digital Assets” or “Crypto-Assets”<sup>1</sup>.
2. 'Blockchain' means a distributed ledger technology (DLT) in the form of a growing list of records called blocks that are linked using cryptography. Each block contains a cryptographic hash of the previous block, a timestamp and transaction data.<sup>2</sup>
3. 'Token(s)' means a digital representation of value on a shared distributed ledger that is owned and secured using cryptography to ensure its authenticity and prevent modification or tampering without the owner’s consent.<sup>3</sup>
4. Utility tokens<sup>4</sup> are a type of digital voucher for goods or services<sup>5</sup>. The issuer pledges a service or delivery of goods when redeeming the token.
5. 'Staking/Stake' means locking crypto assets for a certain period of time and where these locked assets are used to achieve consensus, to secure the network and ensure the validity of every new transaction. Staking allows users to earn passive income with their cryptocurrencies.<sup>6</sup>
6. ‘Burning’ means permanently removing a number of tokens from circulation. This is typically done by transferring the tokens in question to a burn address, i.e. a wallet from which they cannot ever be retrieved. This is often described as destroying tokens.<sup>7</sup>
7. ‘Issuer of crypto-assets’ means a legal person who offers to the public any type of crypto-assets or seeks the admission of such crypto-assets to a trading platform for crypto-assets.<sup>8</sup>

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<sup>1</sup> Horizon Kinetics LLC CODE OF ETHICS October 2018

[https://www.sec.gov/Archives/edgar/data/1005020/000114420418065148/tv509232\\_ex99-p5.htm](https://www.sec.gov/Archives/edgar/data/1005020/000114420418065148/tv509232_ex99-p5.htm)

<sup>2</sup> STAKEHOUND SERVICES TERMS AND CONDITIONS

<https://stakehound.com/wp-content/uploads/2020/12/StakeHound-Terms-and-Conditions.pdf>

<sup>3</sup> *Ibid*

<sup>4</sup> FINMA, FINMA publishes ICO guidelines dated February 16, 2018

<sup>5</sup> Cf. Hacker/Thomale, loc. cit., p. 14; cf. also Weitnauer, BKR 2018, 231, 232.

<sup>6</sup> *Ibid*

<sup>7</sup> <https://www.coindesk.com/learn/what-does-it-mean-to-burn-crypto/>

<sup>8</sup> Pg 35 MICA <https://eur-lead=PDF>

8. Hashgraph technology is a distributed ledger system that improves upon blockchain by offering faster transactions, greater scalability, and energy efficiency. It achieves consensus through a mechanism called gossip about gossip and virtual voting, allowing nodes to share information quickly and fairly without the need for resource-intensive mining<sup>9</sup>.

## Types of Tokens

Generally speaking, there are three kinds of tokens that can be issued to the public:

**THE PROTOCOL TOKEN:** The first kind of token is the classic “cryptographic currency”. To put it simply, this token is called protocol token because what makes it special is the new or different protocol it uses. It is generally being used solely as an alternative currency, wholly digital. Its underlying blockchain serves nothing more than keeping a ledger of the transactions between token holders. It is usually mined or given away for free at issuance (either by creation of an entirely new network, either via a blockchain split event, a.k.a “airdrop”, or via some commercial sites that offer the token in exchange for some commercial participation, a.k.a “faucets”). In its initial digital issuance, this type of token is rarely exchanged for any value (sold), since initially it has no underlying or practical value at all.

**THE UTILITY TOKEN:** The second kind of token is being deemed by many as a coupon or a pre- paid gift card, or a coupon. This kind of token is basically a contract for provision of goods or services, to be redeemed by the token holder, once or continuously. In contrast with the protocol tokens which do not have any assets of any kind underlying them and their value is being based purely on mass psychology. The utility token has an actual underlying contractual right. Therefore, its value is determined not only by mass psychology but also by the value of the underlying right attached to it.

**THE SECURITY TOKEN:** The third kind of token is a digital asset, the purchase of which entitled the owner with number of rights which is similar to securities such as stocks or bonds. There are three major characteristics for an instrument to be deemed as a security: Voting rights in a general assembly or pertaining to important decisions of an entity, profit sharing such as distributions, and/or a right to claim against the

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<sup>9</sup> (Hedera)[ps://hedera.com/learning/hedera-hashgraph/what-is-hashgraph-consensus](https://hedera.com/learning/hedera-hashgraph/what-is-hashgraph-consensus)).

Company to redeem the instrument in exchange for a value. Therefore, a security token, for example, might offer voting rights in the issuing entity, or rights in the profits of the issuing entity (or both). The issuing entity might also promise to redeem the tokens' value when there will be enough capital to do so. These are but examples of rights attached to such tokens, which can be deemed by many jurisdictions throughout the planet to be as securities per se, which therefore require to be compliant with the securities laws and regulations.

## 1. What can Bitcoin.*h* token be classified as?

Bitcoin.*h* token can be classified as a utility token. The rationale behind this statement is as follows.

As mentioned above, Utility tokens<sup>10</sup> are a type of digital voucher for goods or services<sup>11</sup>. The issuer pledges a service or delivery of goods when redeeming the token.

The utility token also symbolizes rights and obligations between the issuer and the purchaser. The issuer promises the purchaser a future service, which can be specified in the white paper or the terms of use.

Here we can see that this is clearly the case. The Bitcoin.*h* token in our case serves the purpose of being a currency through which safe transactions can take place, a service essentially. As mentioned on page 7 of the Bitcoin.*h* token white paper<sup>12</sup>, “...*Bitcoin.h* is a form of digital asset that eliminates the need for central authorities such as banks or governments. *Bitcoin.h* uses hashgraph ledger technology, which is a newer and more secure technology than blockchain, to support peer-to-peer transactions between users. ...”. The Token can be purchased from the website itself. They will then be able to use it for safe and secure transactions.

To the extent that utility tokens are only accepted by the issuer but not by third parties and only the issuer carries out the promised service, the classification as e-money is ruled out<sup>13</sup>. It is evident here that Bitcoin.*h* token can only be purchased from the

<sup>10</sup> FINMA, FINMA publishes ICO guidelines dated February 16, 2018

<sup>11</sup> FINMA, FINMA publishes ICO guidelines dated February 16, 2018

<sup>12</sup> <https://www.bitcoin.org/ht/pdfs/Bitcoin.%E2%84%8F-WhitePaper.pdf>

<sup>13</sup> Cf. Terlau, in: Casper/Terlau, ZAG, sec. 1a ZAG old version, marg. no. 50, 59; Fußwinkel/Kreiterling, publication series BaFinPerspectives, issue 1/2018 dated August 1, 2018, p. 54, 62.

Bitcoin.*h* project itself and used for making safe and secure transactions and the multitude of services mentioned above.

This token will be used as the main currency on the Bitcoin.*h* platform as an independent store of value for consumers, and it is the native crypto utility asset, playing a central role in the ecosystem. Bitcoin.*h* token has a maximum supply of 21,000,000 tokens issued. The native digital cryptographically-secured fungible token of Bitcoin.*h* token is a transferable representation of attributed utility functions specified in the protocol/code of Bitcoin.*h* , and which is designed to be used as an interoperable utility token inside and outside the platform.

According to the information provided to us, the Bitcoin.*h* Token, which is the subject matter of this analysis, will be used by people to conduct peer-to-peer transactions in an environmentally friendly manner. The Bitcoin.*h* Token is the fundamental unit on the Bitcoin.*h* ecosystem.

The Bitcoin.*h* Token is a functional utility Token which will be used as the medium of exchange between participants on Bitcoin.*h* ecosystem in a decentralized manner. The goal of introducing Bitcoin.*h* Token is to provide a convenient and secure mode of carrying out transactions between participants who interact within and outside the ecosystem of Bitcoin.*h*, while also ensuring these transactions are carried out in an eco-friendly manner. The Bitcoin.*h* token has a significant value for the whole platform.

It is true that for some (or perhaps for most) purchasers, utility tokens have an investment component as they hope to (profitably) trade it on the secondary market<sup>14</sup>. Yet, the purchaser's profit expectation is irrelevant for the assessment of whether a security is at hand. This means that even if consumers are purchasing the token to derive some profit from it through an eventual increase in value, it will still be considered a utility token and not a security. However, since there is no investment component to Bitcoin.*h* token in the first place, this will not constitute an issue.

It is also irrelevant whether tokens are already usable or whether the promised service will only be offered at a later time<sup>15</sup>. This circumstance does not change its actual purpose, namely being exchanged for goods and services.

<sup>14</sup> Cf. Hacker/Thomale, loc. cit., p. 13.

<sup>15</sup> cf. FINMA, FINMA publishes ICO guidelines dated February 16, 2018

## 2. Why is the Bitcoin.*h* token not a security?

### United States Legislation

According to Title 15 of the United States Code<sup>16</sup>, The term "security" means any note, stock, treasury stock, security future, security-based swap, bond, debenture, certificate of interest or participation in any profit-sharing agreement or in any oil, gas, or other mineral royalty or lease, any collateral-trust certificate, preorganization certificate or subscription, transferable share, investment contract, voting-trust certificate, certificate of deposit for a security, any put, call, straddle, option, or privilege on any security, certificate of deposit, or group or index of securities (including any interest therein or based on the value thereof), or any put, call, straddle, option, or privilege entered into on a national securities exchange relating to foreign currency, or in general, any instrument commonly known as a "security"; or any certificate of interest or participation in, temporary or interim certificate for, receipt for, or warrant or right to subscribe to or purchase, any of the foregoing; but shall not include currency or any note, draft, bill of exchange, or banker's acceptance which has a maturity at the time of issuance of not exceeding nine months, exclusive of days of grace, or any renewal thereof the maturity of which is likewise limited.

The wide definition of security does not include virtual currencies or crypto assets. Reliance for the clarification can be placed upon US's Securities and Exchange Commission (SEC)<sup>17</sup>.

The seminal Supreme Court case for determining whether an instrument meets the definition of security is termed as the *Howey Test*<sup>18</sup>. The Supreme Court has reaffirmed the Howey analysis as recently as 2004. Howey focuses specifically on the term "investment contract" within the definition of security, noting that it has been used to classify those instruments that are of a "more variable character" that may be considered a form of "contract, transaction, or scheme whereby an investor lays out money in a way intended to secure income or profit from its employment." Not every contract or agreement is an "investment contract" and the Supreme Court developed a four-part

<sup>16</sup> <https://openjurist.org/15/usc/78-c>

<sup>17</sup> <https://www.sec.gov/news/public-statement/statement-clayton-2017-12-11>

<sup>18</sup> SEC v. Howey, 328 U.S. 293 (1946)

test to determine whether an agreement constitutes an investment contract and therefore a security.

The Court articulated the test as follows: A contract constitutes an investment contract that meets the definition of "security" if there is

- (i) an investment of money;
- (ii) in a common enterprise;
- (iii) with an expectation of profits;
- (iv) solely from the efforts of others (e.g., a promoter or third party), "regardless of whether the shares in the enterprise are evidenced by formal certificates or by nominal interest in the physical assets used by the enterprise." In order to be considered a security, all four factors must be met.

1. Under *Howey*, and case law following it, an investment of money may include not only the provision of capital, assets and cash, but also goods, services or a promissory note. The way that Bitcoin.*h* tokens are going to be distributed is by 20% (4.2 million) being allotted for exchange listings and/or to provide liquidity on exchanges, 10% (2.1 million) being distributed to the governance team for their long-term hard work and commitment.

The remaining majority (70%) of the Bitcoin.*h* will be distributed to the public, free of charge. The governance team will utilize these Bitcoin.*h* distributions in various means and methods to raise awareness and help promote and market Bitcoin.*h*, including but not limited to: partnerships, mutually beneficial agreements, promotions, gifts, etc<sup>19</sup>. Since the purchase of this coin from an exchange will fit into the definition of a money investment, the first factor will likely be satisfied.

2. Various circuit courts use different tests to analyze whether a common enterprise exists. Three approaches predominate: (i) horizontal; (ii) narrow vertical and (ii) broad vertical. However, the Securities Exchange Commission (SEC) does not require vertical or horizontal approaches per se, nor does it view this element of the *Howey*

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<sup>19</sup> <https://www.bitcoin.org/ht/pdfs/Bitcoin.%E2%84%8F-WhitePaper.pdf>

Test as a distinct element of an investment contract, however it does hold strong consideration<sup>20</sup>.

a. Under the horizontal approach, a common enterprise is deemed to exist where buyers pool funds into an investment and the profits of each buyer correlate with those of the other buyers. Whether funds are pooled appears to be the key question, and thus in cases where there is no sharing of profits or pooling of funds, a common enterprise may be deemed not to exist.

Under the horizontal approach, the Bitcoin.*h* token project is unlikely to be deemed a common enterprise because the buyers of Bitcoin.*h* token are not pooling their funds into the Bitcoin.*h* token an intent to generate profit; rather the purpose of the Bitcoin.*h* token is primarily to act as a manner of currency which can be used to carry out safe and secure transactions.

This intention is backed by the fact that the majority of distribution that is being done will not require a monetary exchange. As mentioned in Page 8 of the Whitepaper<sup>21</sup>, “20% (4.2 million) has been allotted for exchange listings and/or to provide liquidity on exchanges.

*10% (2.1 million) has been distributed to the governance team for their long-term hard work and commitment.*

*The remaining majority (70%) of the Bitcoin.*h* will be distributed to the public, free of charge. The governance team will utilize these Bitcoin.*h* distributions in various means and methods to raise awareness and help promote and market Bitcoin.*h*, including but not limited to: partnerships, mutually beneficial agreements, promotions, gifts, etc.”* It becomes evident that the overall intent of the project is not to pool funds as a form of investment, but rather to create awareness and eventually replace Bitcoin 1.0 with Bitcoin.*h*, an environmentally friendly method of facilitating peer-to-peer transactions.

b. The narrow vertical approach looks to whether the profits of an investor are tied to a promoter and the analysis is similar to the next approach.

<sup>20</sup> Barkate, 57 S.E.C. 488, 496 n.13 (Apr. 8, 2004); Commission’s Supplemental Brief at 14 in SEC v. Edwards, 540 U.S. 389 (2004) (on remand to the 11th Circuit).

<sup>21</sup> <https://www.bitcoin.org/ht/pdfs/Bitcoin.%E2%84%8F-WhitePaper.pdf>



c. The broad vertical approach considers whether the success of the investor depends on the promoter's expertise. If there is such reliance, then a common enterprise may be deemed to exist.

The less of a reliance on the issuer's expertise, then the less chance the Bitcoin.*h* project would be viewed as a common enterprise.

However, attention must be brought to the fact that buyers are not approaching this project with an intent to generate profit. They are purchasing the coin primarily to extract its utility of providing them their own personal, safe and secure bank to carry out transactions worldwide. Thus, the buyer cannot be termed to be an investor per se. An investor is any person or other entity (such as a firm or mutual fund) who commits capital with the expectation of receiving financial returns<sup>22</sup>. Here, the consumers who purchase it are doing so for merely availing the ease of access and ability to use the Bitcoin.*h* platform to carry out transactions and to ensure that their transactions do not have an adverse impact on the environment. The Bitcoin.*h* token has a singular utility, which as to be used for the carrying out of safe and secure transactions in an environmentally friendly manner. There is no financial gain to be made here. This means that since the token itself is not profit oriented, the success of the promoter has no effect on Bitcoin.*h* Coin being termed a common enterprise, meaning that this test shall also fail.

d. Given the diverging approaches, the law on the "common enterprise" element is somewhat unclear and not easily susceptible to analysis. Considering the fact that there is neither a pooling of funds into Bitcoin.*h* token nor any profits being generated, this test will not be met for Bitcoin.*h* token by any of these approaches.

3. Under the "expectation of profits" element, profit refers to the type of return or income an investor seeks on their investment (rather than the profits that the system or issuer might earn).

This prong does not merely require the customer who buys the token to expect profit, because it seems unreasonable that someone will purchase a service or a good without taking into account the probability that the purchased token will increase in value. The expectation of profits from a purchase of any kind of valuable is almost always present.

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<sup>22</sup><https://www.law.cornell.edu/wex/investor#:~:text=An%20investor%20is%20an%20individual,the%20%22return%22%20on%20investment.>

Therefore, it seems that the prong requires not only that there will be an expectation to profit, which is trivial, but also that the purchase of that valuable will be primarily motivated by making profits (upon resale for example), rather than by consuming or using that which was purchased. The personal consumption is a vital part of considering whether this prong is met or not, wherein it should be examined if the primary motivation of purchasing the token is to profit upon resale, or to use the underlying rights of the token. There are several court cases where this differentiation was stipulated, for ex. the Forman Case, where it was stated, it “is an investment where one parts with his money in the hope of receiving profits from the efforts of others, and not where he purchases a commodity for personal consumption or living quarters for personal use”<sup>23</sup>.

Thus, for purposes of Bitcoin.*h* token, this could refer to any type of return or income earned as a result of being a Bitcoin.*h* token investor, which would be narrowed to the extent it is derived passively, i.e., from the efforts of others. Since courts consider this factor through the lens of the "efforts of others" factor, this prong is analyzed along with the fourth factor below.

In other words, just because there is a return or profit, does not mean that the investment contract is a security. It is essentially the passive nature of the return, as determined by the "efforts of others" analysis that results in an "investment contract" and a "security" as opposed to a simple contract instrument. Since in this case there is no generating of profits via Bitcoin.*h* token in the first place, the discussion of whether it is passive or active income is rendered unnecessary.

4. "Solely from the efforts of others": typically, courts have been flexible with the word "solely," such that, in addition to the literal meaning, it also will include significant or essential managerial or other efforts by the issuer necessary to the success of the investment.

The expectation of profits resulting from the purchase of Bitcoin.*h* token would primarily relate to whether a buyer receives rights and/or investment interests. While non-security token holders may receive money, capital gains, or other forms of financial

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<sup>23</sup> United Housing Foundation, Inc. v. Forman, 421 U.S. 837 (1975)

incentives by virtue of merely owning the token, any such incentives should be derived through their own efforts, rather than through a passive investment.

- a) There is a singular benefit being derived in this case; the ability to carry out safe and secure transactions, in an environmentally friendly manner. This cannot be categorized as a financial incentive, and thus this prong of the Howey Test also does not apply to the Bitcoin.*h* token.
- b) There might exist a capital gains aspect to Bitcoin.*h* token, wherein the buyers would expect an increase in value of the Bitcoin.*h* token from the purchase price of the token. The reasoning behind this is that since the coin does not have a “supply Key”, it is impossible to increase the quantity of the tokens from its initial number of 21 million. This means that Bitcoin.*h* is a “Deflationary asset”<sup>24</sup>. This scarcity can potentially enhance their value over time, as fewer units are available, especially if demand grows. This means that there is a possibility that the value of the coin could grow over time, which could be considered a capital gain. The token is meaning that it seems extremely likely that aside from the first prong of the Howey test none of them are being met.
- c) The manner in which the sale of Bitcoin.*h* token occurs, particularly the promotion and marketing, may also affect the "expectation of profits" analysis. For example, if the language used to promote Bitcoin.*h* token includes words like "investment," "returns" or "profits," the purchasers of Bitcoin.*h* token may be more likely to expect passive profits from the efforts of others than if Bitcoin.*h* token is promoted on the basis of the utility of the ease it brings when using the platforms it serves. Alongside that, 70% of the coin is going to be given away for free in lieu of partnerships to increase usage and awareness<sup>25</sup>, which clearly shows that this project is not being marketed as an investment product at all. Since Bitcoin.*h* token is not being marketed using any of these words or in a way that would indicate the potential of it being an investment, this point shall also fail.
- d) This prong is based on the fulfillment of the requirement of the previous prong – expectation of profits. Assuming that particular prong is met (whereas to our opinion Bitcoin.*h* token does not meet its requirement for the above-mentioned

<sup>24</sup> <https://www.investopedia.com/financial-edge/0311/the-dangers-of-deflation.aspx>

<sup>25</sup> <https://www.bitcoin.org/ht/pdfs/Bitcoin.%E2%84%8F-WhitePaper.pdf>

arguments), this prong “from the efforts of others” is examining the source of the profits - “whether the efforts made by those other than the investor are the undeniably significant ones, those essential managerial efforts which affect the failure or success of the enterprise.”<sup>26</sup> Therefore, this prong cannot, on its own, qualify any instrument (or token) as a security.

- e) Why “significant” and not “solely”? Initially, in the *Howey* case, the phrase is stated “solely from the effort of others”. Nevertheless, the *Forman* case has construed the word “solely”, in that context, as requiring significant or essential managerial efforts necessary to the success of the investment (instead of being the “sole effort”).  
token users vs. Buyers for the Sake of Price Appreciation in the Secondary Market.
- f) The general market for the Bitcoin token is composed of two major kinds of users. There is the purchaser which intends to use the token for its underlying rights for consumption, and there are those who will purchase the tokens for further secondary market appreciation. The latter will sell the tokens in the secondary market for a profit.
- g) Prima facie, the purchasers who only purchase the token in the secondary market, are motivated by “expectation of profit”. The purchasers for the sake of future selling in the secondary market might make profit per se, and courts in *Forman* held that “Profits” can also mean “capital appreciation resulting from the development of the initial investment”<sup>27</sup>.
- h) Nevertheless, this profit will not be generated from “the effort of others”. Generally, every valuable can be expected to appreciate due to secondary market factors which are not related to any continuing effort of the issuer. For example, there could be a purchase of real estate, or gems that could appreciate later, and be sold in a profit. The purchase agreement of real estate cannot be considered as an investment contract solely due to the fact that the real estate will almost certainly appreciate.
- i) Therefore, mere appreciation in the second market cannot be perceived as made by “the effort of others”. To support this argument, it has been held by number of cases that mere secondary market appreciation cannot at all be construed or perceived as derived from “the effort of others”, e.g.: “The mere presence of a speculative motive on the part of the purchaser or seller does not evidence the existence of an

<sup>26</sup> *Forman Case*; *SEC v. Glenn W. Turner Enters.*, 474 F.2d 476, sec. 28 (Feb. 1, 1973)

<sup>27</sup> *Ibid.*

"investment contract" within the meaning of the securities acts. In a sense anyone who buys or sells a house or an automobile hopes to realize a profitable "investment." But the expected return is not contingent upon the continuing efforts of another."<sup>28</sup> Therefore, the fact that a person might purchase the token solely in order to sell it in the secondary market for profit, does not constitute on its own to be the "effort of others".

5. Based on the above analysis of the unique nature of Bitcoin.*h* token, the security/non-security scale leans heavily towards Bitcoin.*h* token not being a security due to its failure of the 2<sup>nd</sup>, 3<sup>rd</sup> and 4<sup>th</sup> factor. The nature of the token not producing or generating any revenue or profit means that it is sufficient to declare Bitcoin.*h* token not a security.

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<sup>28</sup> *Sinva v. Merrill Lynch*, 253 F. Supp. 359, 367 (S.D.N.Y.1966)

## Conclusion

An apt analysis of European and US regulation and case law regarding cryptocurrency reveals that, as of this date of 11<sup>th</sup> September, 2024 the Bitcoin.*h* token is indeed a utility token and not a security, and thus its legal nature will be deemed to be as such.

Sincerely,

  


  


Managing Partner

KHAN & ALVI

Partner

KHAN & ALVI

## **DISCLAIMERS**

The opinions expressed above are subject to the following qualifications:

- Investment into cryptocurrencies is subject to general market and investment risks. As cryptocurrencies are slowly being regulated, our inputs provided above are only correct as of the date they were first given.
- Our opinion is based on the facts as provided to us in your emails, verbal communications, messages, website etc.
- Our opinion is strictly limited to the matters stated herein, and is not to be read as extending by implication to any other matter or document;
- Our opinion is confined to and given on the basis of the laws so stated generally. Given the international nature of cryptocurrencies, our Opinion as to whether the token is a security or utility is only given on the basis of the laws mentioned above or similar laws.
- Our opinion as contained in this letter is given solely for the benefit of the Client, and shall not be relied on by any other person, corporation, entity or otherwise;
- Our opinion as contained in this letter shall not be disclosed to any person, corporation, entity or otherwise, other than those who are directly and intimately involved in this transaction or who would ordinarily be entitled by law to examine such information; and

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g. For purposes of this legal opinion, we have not conducted any due diligence or similar investigations as to factual circumstances. This opinion is limited to an analysis of the circumstances as set forth herein and does not address matters of fact.

h. Our opinion may change upon us having sight of any further documentary information which may be made available to us, and until we have had sight of such any and all such documentary information, our advice therefore remains academic and merely informative.

(END)