

MEMORANDUM OF INFORMATION ON LVL TOKEN ISSUANCE

Level Capital LLC

LevelNet Project Team

YOU MUST READ THIS DOCUMENT BEFORE MAKING ANY DECISION TO PURCHASE LVL.

THIS INFORMATION MEMORANDUM AND ITS SUBJECT MATTER HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER ANY LEGAL OR REGULATORY REGIME, NOR HAVE THEY BEEN REVIEWED OR APPROVED BY ANY REGULATORY AUTHORITY.

THIS DOCUMENT IS NOT A PROSPECTUS NOR A SOLICITATION FOR INVESTMENT.

THIS MEMORANDUM OF INFORMATION SHOULD NOT BE CONSIDERED AS A RECOMMENDATION BY ANY OTHER PERSON TO PARTICIPATE IN ANY LVL TOKEN OFFERING OR THE LEVELNET PLATFORM. PRESENT MEMORANDUM REPRESENT THE GENERAL LEGAL UNDERSTANDING OF LVL TOKEN AND LVL TOKEN OFFERING

WITHOUT LIMITING ANY OF THE ABOVE, YOU SHOULD NOT EXCHANGE ANY LVL UNLESS YOU HAVE READ AND UNDERSTOOD THIS INFORMATION MEMORANDUM AND ALL OTHER RELEVANT MATERIALS AND FULLY UNDERSTAND THE TOKEN SALE, INCLUDING AT LEAST THE FOLLOWING:

- THE NATURE AND PURPOSE OF THE TOKEN SALE AND ITS CRYPTOGRAPHIC CONTEXT
- THE TERMS AND CONDITIONS OF THE TOKEN OFFERING
- THE PROCEDURES REQUIRED TO PURCHASE LVL
- THE NATURE AND THE EXTENT OF THE RISKS TO WHICH YOU MAY BE EXPOSED AS A RESULT OF PARTICIPATING IN THE TOKEN SALE AND HOLDING LVL
- THE REGULATORY, TAX AND ACCOUNTING TREATMENT OF PARTICIPATING IN THE TOKEN OFFERING AND HOLDING OF LVL, AS WELL AS ANY OTHER RELEVANT IMPLICATIONS

YOU MUST ALSO MONITOR THE levelnet.co WEBSITE FOR ANY ANNOUNCEMENTS THAT RELATE TO THIS TOKEN ISSUANCE, AS THEY MAY ADD TO, OR ALTER, ITS TERMS.

THIS INFORMATION MEMORANDUM AND RELATED MATERIALS MAY BE TRANSLATED. ANY TRANSLATION IS FOR REFERENCE PURPOSES ONLY AND IS NOT CERTIFIED BY ANY PERSON. ONLY THE ENGLISH VERSION HAS LEGAL EFFECT AND PREVAILS TO THE EXTENT OF ANY INCONSISTENCY.

1. Cautionary Statements Regarding Forward-Looking Statements

Certain statements in this Memorandum constitute forward-looking statements. When used in this Memorandum, the words “may,” “will,” “should,” “project,” “anticipate,” “believe,” “estimate,” “intend,” “expect,” “continue,” and similar expressions or the negatives thereof are generally intended to identify forward-looking statements. Such forward-looking statements, including the intended actions and performance objectives of the Company, involve known and unknown risks, uncertainties, and other important factors that could cause the actual results, performance, or achievements of the Company in its development of the LevelNet Network to differ materially from any future results, performance, or achievements expressed or implied by such forward-looking statements. No representation or warranty is made as to future performance or such forward-looking statements. All forward-looking statements in this

Memorandum speak only as of the date hereof. The Company expressly disclaims any obligation or undertaking to disseminate any updates or revisions to any forward-looking statement contained herein to reflect any change in its expectation with regard thereto or any change in events, conditions, or circumstances on which any such statement is based.

Prospective investors are not to construe this Memorandum as investment, legal, tax, regulatory, financial, accounting or other advice, and this Memorandum is not intended to provide the sole basis for any evaluation of an investment in an interest. Prior to acquiring an interest, a prospective investor should consult with its own legal, investment, tax, accounting, and other advisors to determine the potential benefits, burdens, and other consequences of such investment.

1.1. Corporate structure:

Current permanent holder of LVL cryptographic tokens is **Level Capital LLC** (Company), newly organized British Virgin Island Company, with registration number _____. The Company currently controlled by its founders, Pavel Shklierov and Anton Aksenov.

It owns all of the LevelNet -related intellectual property (IP), including the source code of the LevelNet software, cryptographic ledger, logos, and trademark applications associated with the name LevelNet, domain names, and goodwill arising from a set of a relationships with several contractors and potential customers in the financial technology market.

LevelNet USA Inc. is the operating company. It is a California corporation (registered number C4046746) and a subsidiary company of LevelNet Capital. Its registered address is 34 Peach Blossom, Irvine, California, USA. LevelNet USA Inc. own the source code smart contracts and developed the Token offering ecosystem and provided the results to Level Capital under certain terms and conditions.

1.1.1. Relationships between Corporate structure:

LevelNet USA will provide to LevelNet software development services under the certain contract and provide certain rights to use LevelNet security system. Additionally LevelNet Ltd. Provided own the source code smart contracts and developed the Token offering ecosystem and provided the results to Level Capital, under condition that Level Capital should exchange them to cryptocurrencies, in order to finance the LevelNet Ltd. Operating activity – by mean complete and finalize LevelNet software distribution.

Allocation of funds and cryptocurrencies between in Corporate Structure is an object of certain restrictions:

In accordance with corporate documentation of Level Capital LLC and contract and agreements between LevelNet USA and Level Capital, the founders and Management team cannot use funds except LevelNet project implementation and annual and monthly management fees, fees for legal advice and other consulting fees.

The fees estimation and each transaction will be accounted or proofed by appropriate contract. Upon each User request, Level Capital will provide him appropriate information connected with Relationship documentation.

1.1.2. LVL Token Overview:

- o **LVL is a cryptographic token.** LVL is an **Ethereum ERC20 divisible digital token with up to 18 decimal places**. It can be held in a digital wallet, transferred to other digital wallets and potentially exchanged on LVLS token in the LVL Platform to the Subscription type and obtain LevelNet project prepaid Member status¹.
- o **LVL Token – represent itself, prepaid Membership in Level Security Network and prepaid right to utilize certain products under LevelNet trademark, as an example LevelNet Security Network (Please description on page 8-10 of the White Paper).**
- o **LVL Token – secured by the LevelNet Security Prototype, and farther Level Capital will be assigned by Users to develop that prototype to the final product and lunch security Network, and in other hand Level Capital should make his best efforts in order to launch LevelNet Security Network.**
- o **As farther step Level Capital, should enlarge LevelNet Platform (block chain based platform, developed by LevelNet USA, as basis of relations between Users and LevelNet team and Level Capital) as provided in White paper page 24.**
- o **LVL** can be held in a digital wallet, transferred to other digital wallets and potentially exchanged for various types of memberships ("**Memberships**") in the LevelNet Platform.
- o The terms of use and conditions for each type of Membership will be determined by the Level Capital and is anticipated to be announced and amended to the present Memorandum in advance of the launch of the LevelNet software. Further details are provided in the White Paper and will be supplemented by the announcements made on the Website.
- o **LVL** membership status, upon successful LevelNet security Network completion should give to User following rights:
 - o Business API and premium services. Participants exchange tokens for subscriptions to LevelNet services in case they have more tokens than the required amount.
 - o Lifelong use of the LevelNet application and any LevelNet services for ordinary users, without additional payment for premium features.
- o **LVL membership status, during Token offering:**
 - Option to participate in LVLS token offering.
 - Access to the "Buyback" and "Money Back Guarantee" funds, secured by a smart contract.

¹ Please see Exhibit # Project Member status

1.2. Regulatory aspects:

LevelNet team Level Capital position on LVL token:

Application to the USA Security laws.

Due to the description and nature of LVL as described above, LevelNet team do not think that LVL should be considered as “security” as that term is defined Section 2(a)(1) of the Securities Act of 1933 (1933 Act) and Section 3(a)(1) of the Securities Exchange Act of 1934 (1934 Act).

Our understanding based on relevant USA legislation and case law and relevant open sources and we took into account existing best token offering practice. Therefore our reasoning based on following:

Applying Howey’s 4-Factor Test:

The Howey test scrutinize and defines the investment contract in accordance with following factors: whether there is (1) an investment of money (2) in a common enterprise (3) with an expectation of profits (4) which are derived solely from the efforts of the promoters or third parties.

In order to apply the test we used and adopt framework test² developed by Coinbase, Coin Center, Union Square Ventures, and Consensus security, in accordance with result of this test LVL should not be considered as security³.

I. Investment of Money:

In accordance with Terms of Token Issuance (or Offering), the Users could obtain LVL via exchange to certain units of LVL. In present case the User have potential economic loss risk.

In same time, LVL provides the right to use LevelNet Platform and right to use LevelNet Products; the User will not find himself to the subject of financial loss. LVL as cryptographic utility, secured by “LevelNet antivirus lager security network for exchange or recorded computer treats and consecutive interception of viruses and other computer attacks on the users connected to this network” (LevelNet Product) (Priority Patent Application US 62/345,745).

II. Common enterprise

The LVL token represent itself digital proof and in same time is the Membership token, which provides certain privileges in LevelNet project product use. The cryptocurrencies raised from investors will be pooled to create certain products; Level Capital in this case specifically plans to spend all of the values raised during the Token offering on development. In addition, we will include the boundary provisions in Level Capital corporate documents, which restricts to gain profits to Shareholders from Token Sale.

As an essential part of token offering, we should note that LevelNet Network interested to connect the Users computers as much as possible. In this case, we believe that LVL not meet to the vertical commonality factor.

III. Expectation of Profit and Efforts of the Promoter:

² Please see the Link [\[REDACTED\]](#).

³ <https://www.coinbase.com/legal/securities-law-framework.pdf>

The LevelNet Projects purely depends on Users quantity. Thus, more User's computers involved in Network, then LevelNet will more effectively, work and more virus threats will be detected and will cured off. Each LVL User via plugging to LevelNet Network will provide his effort in LevelNet Project realization. Thus mean the effort of LevelNet management team not a predominant one.

Also, we believe and align with our goal of the expectation of profit is not a sole motivating factor for Users, the main factor for our team is to build the first integrated antivirus network⁴, and our future plans to provide all Level Network ownership rights to the Users.

As a Conclusion LVL token represent proof membership in LevelNet security network, the Users will be a part of this system and provide their effort to the system, membership in this present security system (LevelNet network) proved via LVL Token, the LVL token virtually not provide or promise profit expectation.

Risk factor test, the taking into account that product already exist, the Risk capital, concerns may apply if the does not yet exist.

Net products, under issuance LVL User assigned to LevelNet task to make reasonable efforts to develop and complete the LevelNet Platform, and provide the LevelNet products to the Users and develop the LevelNet Project goals.

Generally the LVL user shall not expect any certain profit in return of buying of the LVL, the Users of LVL should share some goals with LevelNet project as described in White Paper.

1.3. Consumer Protection

Level Capital understands that some Laws related to Consumer protection must be applied, and Level Capital will provide general country overview on LVL and LevelNet Network Consumer rights and protection.

- 1.4.** The Present Information Memorandum will be expanded and amended by various concerns and descriptions during LVL token offering preparation, the final Memorandum will be issued 10 days before LVL offering.

⁴ See White Paper page.