

## **LEGAL MEMORANDUM ON WE TOKEN ISSUANCE.**

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## I. WT PROJECT NETWORK OVERVIEW:

**Brief technology overview:** Project World WI-FI represent itself as a block chain-based decentralized network of internet users, advertisers and router owners, which are connected by independent routers, via a special reference link named as an 'Invite'. All transactions on WI-FI network will be done via special smart contract named as Deal, also based on distributive ledger technology.

In the newly formed **Fintech** industry the **Blockchain** represent itself a decentralized databases maintained by a network of computers. Through the use of public-private key cryptography and strict code-based rules (-known as consensus mechanisms) block chains store tamper-resistant, resilient, and authenticated data and enable users to engage in pseudonymous transactions. A block chain keeps track of who owned these digital assets at any point in time without the need for a centralized intermediary, like a central bank or centralized exchange.

As an outcome form, from the Blockchain technology the WIFI WORLD delivers to the internet users, advertisers and router owners, the fully decentralized network based on smart contract algorithms and decentralized data storage, which will provide them certain benefits. The Network will work on reward basis, the rewards will be provided by the special payment method and in same time alternative currency We Token (in short WT).

From a technical perspective, block chains will be used in WIFI WORLD to manage the transfer connection between routers and Network participants, which can be exchanged by anyone with an Internet connection in a matter of seconds or minutes.

Each transaction is made on basis of smart contract named as **Deal** in order to use the smart contract system the router owners should obtain the indemnificatory and simple reference link.

The Deal works like an advertising agency. It is essential for both parties to be sure that advertising budget will reach the target with the agreed number of views delivered as planned. The Deal smart contract will automatically conduct various functions, from data storage up to choosing advertisement preferences.

For purposes of our Memorandum/Opinion, we narrowly focus on **We Token** (block chain based token) properties and WIFI network smart contracts system and their compliance into various laws.

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### (I) NETWORK KEY PLAYERS:

The WIFI WORLD Network will spread between Users, Router owners and Advertisers:

- a) Users will have an opportunity to connect to the open network and view ads and afterwards may use the Internet free of charge.

At this moment, routers connected to the system starts to distribute one more network. The network will be isolated from the in-home network and from the personal data by the software; therefore, those connected to that network will not have access to the computers within the main network of the router owner.

- b) Router owner will provide an access to the open network and makes money from Advertisers.
- c) Advertiser broadcasts ads to its target audience and pays to the Router owner.

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(2) **WIFI PROJECT SIMPLE ECONOMY:**

- a) Thus, the Network involves advertisers, ordinary users and router operators (router owners). The transaction in the Network will be conducted via an internal currency WeToken (WT) and as logical consequence; the internal currency will represent valuation of the Network Transactions.
- b) One WeToken (WT) will be equivalent to **ten advertising views**. WeToken (herein after referred to as WT) might be converted into any cryptocurrency and any fiat currency.

**The algorithms of the WT token economy will be based on following actions:**

- i. In order to get access to the Network, the router owner should receive a referral link **Invite**. **'The invite'** represents the simple access (referral link) to the Network smart contracts infrastructure. After being entered into Network the Router owner, undertakes the certain obligation and receive certain rights according the Network smart contracts conditions.
- ii. As mentioned above, the smart contract system of the routers Network, contacted via referral links – **invites that represent** is a referral link connected with the user's wallet in the system.
- iii. **The referral program "Invite" that is integrated in Network works on following smart contract algorithms:** Generally under the smart contract terms all wallets must pay a commission on its advertisement views to those who has linked up with them via Invite link. Accordingly, every Router owner can connect new router owners participants via his invite and make a profit from advertisement views via their routers.

- iv. The Router Owner will receive bonus tokens and the amount of the WT tokens accrued depends on the advertisement audience. The more financially reliable and targeted the audience are formed in the network, the higher the advertiser's demand is and the more the advertisers are **ready** to pay for views. Network provides to the Router owners (herein after referred to as RO) opportunity to be involved in the referral program, by simply making an agreement with other RO, under RO Invite or under other conditions.
- v. The mechanism of the identification of smart contract parties concentrated in **Invite** – a simple reference link, which provides you the access to the Network smart code architecture.
- vi. In order to launch Network into a full-fledged project, based on appropriate block chain protocol, the WIFI project team has decided to attract funds via crowdfunding based on WT token offering, structured in two rounds: Pre-sale offering, and Token offering. Without WT Token, distribution and Invite distribution the Network cannot be launched.

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(3) **ADVERTISERS ECONOMY**

Network operates on the Big Data technology used to collect and analyze non-personified data on the user activity, which allows advertisers to deliver their advertisements to those who are interested in them. The Block chain technology can make transactions between the participants of the process fast and cheap. It ensures that the parties have mutual guarantees - thanks to smart contracts - and gives advertisers reliable and transparent information on the advertising campaign conducted.

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(4) **THE PROJECT WIFI BUSINESS HISTORY AND PREVIOUS BUSSINES SUCCESS.**

The principal market, which World Wi-Fi generates and where it works, is the market of online advertising for the users of residential Internet.

WIFI WORLD Network based on ongoing projects Adrenta and RADIUS projects, which are focused on Wi-Fi advertising and user identification on public places (airports, cafes, restaurants, shopping malls etc.).

Adrenta project is represented by Russian legal entity - Limited Liability Company “WIFI Media Partner”, the Company is a largest advertising provider in WIFI networks. Adrenta LLC is an Israeli-Russian company that provides a service that aggregates all public Wi-Fi spots and works with leading advertising agencies in Russia, CIS and Europe. The company was

founded in 2012 by Israeli developers. The company is engaged in placing advertising in Wi-Fi networks.

"RADIUS" LLC is a Russian company providing a service based on WiFi technology, working with more than 500-(Five hundred) customers and 80 partners in Russian and CIS cities. Radius LLC provides software for authorization by phone number in public WiFi networks, as well as additional marketing opportunities. In addition "RADIUS" LLC is the operator of personal data and registered in Roskomnadzor (registration number 77-17-005711). The company operation is based on the License for Telematic Communication Services No. 152665 for the period until February 21, 2022.

"RADIUS" LLC is a Wi-Fi-identification platform for public networks, as well as an online advertising platform for selling targeted traffic. Potential customers of the company: communication operators, public areas, owners of a private Wi-Fi point, event organizers. "RADIUS" LLC collaborated with Sheraton, the Gnesin Academy of Fine Arts, and others. The founders of Radius Wifi are representatives of the financial sector.

## II. STRUCTURE OF CROWDFUNDING AND TOKEN OFFERING:

### (1) STRUCTURE OF TOKEN OFFERING (TOKEN SALE) DIVIDED ON FOLLOWING STEPS:

- (A) **Token Pre –sale.** Token pre-sale will be conducted via issuance of the short term **SAFT instrument**. Thus, the presale will be a first stage of token sale or alternatively named token offering.
- (B) **User pre-sale:** In parallel, we will sell the discount rights on Invites and up to 2000 WT, for the same price as the token offered on pre-sale stage via SAFT, to the users who are not accredited or qualified investors. Users will go through KYC checks just like the accredited investors. If for some reason a voucher is not honored, the user will not pay anything. These users, however, cannot purchase the tokens, under securities regulations, until the tokens are clearly not a security. WIFI LLC will only honor the vouchers when the WIFI LLC and its legal counsel feels comfortable that the tokens are clearly not a security. This will likely happen sometime after network launch.
- (C) **Other users**, who're not accredited investors or qualified purchasers, will get a free "voucher" to purchase up to \$7,000 worth of WT in the future at the same price as the tokens offered in the main sale and can bring back the voucher to WT Token WIFI LLC

to purchase the tokens and make the payment later, which will be specified by WT LLC later. Users can get a voucher free. The voucher is not a promise or guarantee, and WIFI LLC has the right not to honor it.

**(D) Token official sale (Token offering),** after platform launch the WT Tokens will be automatically issued to the Users and to the Investors.

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**(2) SAFT.**

The SAFT memorizes an exchange of investment capital in an early stage for the right to something of value in the future for the investor, in our case a functional WT token.

Shortly afterwards, the SAFT provides investors with the right to fully functional WT tokens, delivered once the Network is created and the tokens are functional. Once the tokens have been instilled with utility and are genuinely functional, the SAFT investors' rights in the SAFT automatically converts into a right to delivery of the WT tokens.

WIFI WORLD project SAFT presale, in distinction to other projects, the term of SAFT termination period will be very short, in three weeks after Pre sale.

**(a) SAFT Legal grounds.**

**The SAFT represents itself as a forward investment contract.** A SAFT transaction contemplates an initial sale of a SAFT by WIFI project to accredited investors in the USA and all investors (accredited) all over the World.

**The SAFT obligates investors to immediately fund the WIFI project.** In exchange, the WIFI project use the funds to develop a genuinely functional network, with genuinely functional utility tokens, and then deliver those tokens to the investors, once they become functional. The investors may then resell the tokens to the public, presumably for a profit, and so may the WIFI project.

**The SAFT is a security. It demands compliance with the securities laws.** The resulting tokens, however, are already functional, and need not be secure under the Howey test. They are consumptive products and, as such, demand compliance with state and federal consumer protection laws, and other laws depends the WT token nature.

**The WIFI Project SAFT** have not been and will not be registered under the Securities Act of 1933, as amended (the "Securities Act"), or any other law or regulation governing the offering, sale or exchange of securities in the United States or any other jurisdiction.

**(b) SAFT transaction itself consists of the following steps:**

**Step 1:** WIFI will publish White Paper and SAFT and enter into a SAFT with the accredited investors relying on the exemption set forth in Rule 506(c) of Regulation D of the Securities Act, and the accredited investors transfer funds for \$100 million to WIFI project Inc. The SAFT offers investors a discount on the final token sale and is a security, so the WIFI project file a Form D with the SEC disclosing the sale.

**Step 2:** World WI-FI PTE. LTD. Ltd. Uses the proceeds to develop the network into a product that provides genuine utility to its users.

**Step 3:** World WI-FI PTE. LTD. Ltd. launches the network and delivers the tokens to the investors. The investors (and potentially WIFI project Inc.) begin sales of the token to the public, either directly or through exchanges.

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**(4) SECURITIES LAWS APPLICATION ON SAFT OFFERING/TOKEN OFFERING:**

The most common transactions that are exempt from registration are:

- A. Offshore Transactions.** Regulation S promulgated under the Securities Act exempts from registration transactions involving an offer and sale of securities that occurs outside of the U.S. Under this regulation, an offer and sale of securities is deemed to occur outside of the U.S. if it is made in an “offshore transaction”<sup>1</sup> in which no “directed selling efforts”<sup>2</sup> are made in the U.S. by the issuer, a distributor, any of their respective affiliates, or any person acting on their behalf, and certain other restrictions are imposed on the offering to prevent “flowback” of the securities into the U.S.<sup>3</sup>

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<sup>1</sup> Securities Act Rule 902(h) deems a sale of securities by an issuer or its underwriter to be an “offshore transaction” if (a) the offer and sale is not made to a person in the U.S. and (b) either the buyer is outside the U.S. when the buy order is originated or the transaction takes place through the facilities of a non-U.S. securities market.

<sup>2</sup> Securities Act Rule 902(c) defines “directed selling efforts” as “any activity undertaken for the purpose of, or that could be reasonably expected to result in, conditioning the U.S. market for the relevant securities.” Examples of directed selling efforts include (a) advertising in a publication with an average circulation of 15,000 per issue in the previous 12 months, (b) mailing materials to U.S. investors, (c) conducting promotional seminars in the U.S. and (d) making offers to identifiable groups of U.S. citizens in a foreign country (e.g., members of the U.S. military).

<sup>3</sup> Securities Act Rule 903 establishes three categories of off-shore offerings that each have an applicable set of restrictions described in general terms below: • Category 1 Offerings. Category 1 offerings are offerings in which (a) there is no “substantial U.S. market interest” (as defined in Rule 903) in the offered securities, (b) the security is issued (i) by a foreign issuer or (ii) by a U.S. issuer of non-convertible debt securities that meet certain restrictions, in each case, in an offering that is either directed to the residents of a single country other than the U.S. in accordance with the local laws and customary practices of such country or (c) are issued by a foreign government or in connection with certain foreign employee benefit plans. Category 2 Offering. Category 2 offerings are offerings of (a) equity securities of a non-U.S. issuer who is a reporting issuer under the Exchange Act, (b) the debt securities of a U.S. issuer or (c) the debt securities of a non-U.S. issuer who is not a reporting issuer under the Exchange Act. The issuer and any other distributor of the issued securities are forbidden from making offers or sales to U.S. persons or for the account or benefit of a U.S. person during the forty day period following when the securities are first offered to persons

**B. Private Placements.** Section 4(a)(2) of the Securities Act exempts from registration offers and sales by an issuer that do not involve a public offering. As a general matter, issuers may make such sales to sophisticated investors who have not been solicited as part of a general solicitation or advertising effort and who have been provided with information relevant to their investment decision. Section 4(a)(2) itself does not set forth clear rules that an issuer may follow to ensure the sale is exempt from registration. As a result, many sales under this provision are conducted pursuant to Regulation D promulgated under the Securities Act ("Regulation D"), which sets forth certain safe-harbor criteria by which a sale of securities is deemed to qualify as a private placement. To be eligible for the Regulation D safe harbor, an issuance of securities must comply with a number of restrictions.

**A. WIFI SAFT Offering** will be made (1) inside the United States to "accredited investors" (as defined in Section 501 of the Securities Act) in reliance on Regulation D under the Securities Act who are U.S. persons (as defined in Section 902 of Regulation S under the Securities Act) and (2) outside the United States to non-U.S. persons in reliance on Regulation S.

**Regulation D** (rule 506 c) allows general solicitation and advertising for a private placement offering. In a Rule 506 (c) concerning private offering, all of the purchasers must be accredited investors and the issuer must take reasonable steps to determine that the purchaser is an accredited investor.

**Regulation S** (is a "safe harbor" that defines when an offering of securities is deemed to be executed in another country and therefore not be subject to the registration requirement under section 5 of the 1933 Act. The regulation includes two safe harbor provisions: an issuer safe harbor and a resale safe harbor.

In each case, the regulation demands that offers and sales of the securities be made outside the United States and that no offering participant (which includes the issuer, the banks assisting with the offer and their respective affiliates) engage in "directed selling efforts".

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other than distributors (the "Compliance Period") and may not engage in hedging transactions during the same period unless such hedging activities are in compliance with the Securities Act. Distributors must make written undertakings to comply with the aforementioned restrictions. In addition, all offering materials distributed prior to the conclusion of the Compliance Period must contain a legend that the securities have not been registered under the Securities Act and may not be offered or sold in the U.S. or to U.S. persons (except distributors) without registration under the Securities Act or an exemption therefrom and that certain hedging activities may not be conducted unless done so in accordance with the Securities Act. • Category 3 Offerings. Category 3 offerings are offerings that are not eligible to be deemed Category 1 offerings or Category 2 offerings and subject to differing restrictions depending on whether equity or debt securities are being issued. Issuers and distributors of debt securities in a Category 3 offering may not make offers or sales to a U.S. person other than a distributor during the Compliance Period. In addition, the issued securities must be represented by a temporary global security that is not exchangeable for a definitive security until the Compliance Period ends and certain other certification requirements are fulfilled. Issuers and distributors of equity securities may make offers or sales to or for the account or benefit of a U.S. person for a Compliance Period that is extended to one year (six months if the issuer is a reporting issuer.).



Once resold outside the United States, securities other than equity securities of domestic issuers are unrestricted and generally can be freely resold, including into the United States.

Both regulations do not have not exclusive status and the WIFI Project could apply to both of them. Thus, reliance on reg. S will be for foreign Purchaser and resellers, and D would be for USA internal market accredited investors.

**WHY WIFI WORLD is doing reg. S:** because WIFI has Delaware subsidiary, and USA SAFT offering will be organized via Delaware subsidiary, the Delaware, subsidiary will issue WT SAFTs and afterwards provides WT tokens to Investors and Users.

**As provided by regulation D Accredited investors: Accredited Investor Requirements**

**US persons:**

To be an accredited investor, a person must demonstrate an annual income of \$200,000, or \$300,000 for joint income, for the last two years with expectation of earning the same or higher income. An individual must have earned income above the thresholds either alone or with a spouse over the last three years. The income test cannot be satisfied by showing one year of an individual's income and the next two years of joint income with a spouse. The exception to this rule is when a person is married within the period of conducting a test. A person is also considered an accredited investor if he has a net worth exceeding \$1 million, either individually or jointly with his spouse. The SEC also considers a person to be an accredited investor if he is a general partner, executive officer, director or a related combination thereof for the issuer of unregistered securities.

1. An entity is an accredited investor if it is a private business development company or an organization with assets exceeding \$5 million. An organization cannot be formed with a sole purpose of purchasing specific securities. In addition, if an entity consists of equity owners who are accredited investors, the entity itself is an accredited investor. In addition, if a person can demonstrate sufficient education or job experience showing his professional knowledge of unregistered securities, he is also considered an accredited investor.

2. **Verification of accredited investor status.** The WIFI Projects Issuer (In our case it might be World WI-FI PTE. LTD. Ltd a Singaporean subsidiary) shall take reasonable steps to verify that purchasers of securities sold in any offering under paragraph 506 (c). The issuer shall be deemed to take reasonable steps to verify if the issuer uses, at its option, one of the following non-exclusive and non-mandatory methods of verifying that a natural person who purchases securities in such offering is an accredited investor; provided, however, that the issuer does not have knowledge that such person is not an accredited investor:

3. Thus under Securities Law in regards to whether the purchaser is an accredited investor on the basis of income, reviewing any Internal Revenue Service form that reports the purchaser's income for the two most recent years (including, but not limited to, Form W-2, Form 1099, Schedule K-1 to Form 1065, and Form 1040) and obtaining a written representation from the purchaser that he or she has a reasonable expectation of reaching the income level necessary to qualify as an accredited investor during the current year;

**4. EU Accredited Investor:**

- a) Retail clients requesting treatment as 'elective' professional clients<sup>4</sup> must satisfy at least two of the following *quantitative* criteria in assessing the client's expertise, experience and knowledge.<sup>5</sup>
  - i. the client has carried out trade transactions, in significant size (at least EUR 50,000), on the relevant market at an average frequency of 10 per quarter over the previous four quarters;
  - ii. the size of the client's financial instrument portfolio, defined as including cash deposits and financial instruments, exceeds EUR 500,000;
  - iii. the client works or has worked in the financial sector for at least one year in a professional position which requires knowledge of the transactions or services envisaged.

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**(5) WT TOKEN OFFERING IN SINGAPORE.**

Under section 2(1) of the SFA (Securities and Futures Act), "capital market products" means any securities, futures contracts, contracts or arrangements for the purposes of foreign exchange trading, contracts or arrangements for the purposes of leveraged foreign exchange trading, and such other products as MAS may prescribe as capital markets products.

An Offer may nevertheless be exempt from the Prospectus Requirements where, amongst others the Offer is a small offer of securities of an entity, or units in a CIS, that does not exceed \$5 million (or its equivalent in a foreign currency) within any 12-month period, subject to certain conditions;

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<sup>4</sup> **Markets in Financial Instruments Directive** [2004/39/EC](#)

<sup>5</sup> <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:32004L0039:EN:HTML>

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- a. the Offer is a private placement offer made to no more than 50 persons within any 12-month period, subject to certain conditions;
- b. the Offer is made to institutional investors only; or
- c. the Offer is made to accredited investors, subject to certain conditions.

The exemptions for a small offer, a private placement offer and an offer made to accredited investors, are respectively subject to certain conditions, which includes advertising restrictions<sup>6</sup>.

#### **Extra-territoriality of the SFA and FAA.**

- i. SFA may apply extra-territorially to the activities of that person under financial services and financial advisory services, when a person operates a primary platform, outside from Singapore, or outside of Singapore, the requirements of the SFA shall not apply. Essentially, if the offer of securities does not involve Singapore entities or residents, SFA should not be applied.
- ii. Thus if World WI-FI PTE. LTD. is a Singapore-incorporated company with operations in Singapore, offers SAFTs to members of the public, but the offering will not be accessible by persons in Singapore, and will only be made to persons based overseas the SFA will not apply to the offer.
- iii. SFA and Singapore Laws on WT Token.
- iv. World WI-FI PTE. LTD. will give token holders access rights to use the WIFI network. The WT tokens can be used to pay for advertisements and/or will be provided by other platform users. Token WT will not have any other rights or functions attached to it. WIFI have an aim to offer Token A to any person globally, including in Singapore. World WI-FI PTE. LTD. Ltd. offer of WT will not be subject to any requirement under the SFA.<sup>7</sup>

### **III. WT AND INVITE LEGAL FRAMEWORK AND GENERAL NATURE OF WT UNDERSTANDING.**

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<sup>6</sup> For more information on the advertising restrictions with respect to offers of shares and debentures, please refer to the Guidelines on the Advertising Restrictions in Sections 272A, 272B and 275 (Guideline No. SFA13-G15).

<sup>7</sup><http://www.mas.gov.sg/~media/MAS/Regulations%20and%20Financial%20Stability/Regulations%20Guidance%20and%20Licensing/Securities%20Futures%20and%20Fund%20Management/Regulations%20Guidance%20and%20Licensing/Guidelines/A%20Guide%20to%20Digital%20Token%20Offerings%20%2014%20Nov%202017.pdf>

(1) **WT TOKEN OVERVIEW:**

**Currency Component of WT token:**

- (a) Classic cryptocurrency, that is Bitcoin, is a cryptocurrency in its traditional sense, since it has characteristics customary to usual currencies because Bitcoin acts as an account within the system, a store of value and a medium of exchange. It is, however, digital and virtual in nature by being encrypted. The key innovative feature is that it is the first decentralized currency powered by an open public ledger technology that records and validates all transactions, called the Blockchain.
- (b) Over time, other categories of cryptocurrencies came into existence and those include tokens and so-called alternative cryptocurrency coins (“altcoins”), the latter is a cryptocurrency that aims to be an alternative to Bitcoin, usually built on its open-sourced original protocol but differ in underlying codes and, thus, in key features, the key difference between cryptocurrencies and tokens is that with the latter there is no need to create or modify any underlying code, since tokens can be created on top of the platform (e.g. Ethereum) powered by smart contracts. The main differentiating factor between cryptocurrency and token can, thus, be narrowed down to an answer to the following question: “was a coin intended to act as a separate currency with its own separate blockchain or was created on top of the already existing platform.”

Another crucial differentiating factor between tokens and cryptocurrency is that it is worth noting at the outset, is that tokens emission is centralized whilst cryptocurrencies are decentralized in nature and are the consequence of mining, hence, they cannot be influenced in any way and are only subject to market forces.

Thus according the technical construction of WT token, it is not a currency. On other hand, WT token represent the reward which is payed by parties between each other in WIFI network. The reward based scheme in WIFI project has a predominant purpose in the project and simply WT token tailored to be payment value between Network participants.

Thus in general, it is our common understanding that WT tokens should be treated as internal cryptocurrency with mines like rights, alternative currency in some countries and commodity in other countries, as provided by the countries regulatory regime.<sup>8</sup> WT tokens valuation: Each WT token will be equal to 10 advertisings

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<sup>8</sup> WIFI project will provide short overview on regulatory regime in each country.

values. When we speak about advertising, we consider the advertising provided in the system.

WT refers to Tokens without any underlying asset. The owner of a WT Token does not have any relative or absolute right, except for the right relating to the Token itself (specifically: on the “chain of digital signatures” or the register entry).

**Main WT token utility aspects:**

- a. In addition to acting as mediums of exchange, units of account and stores of value, Infrastructure Tokens provide the possibility to use a specific blockchain infrastructure or technology that does not directly refer to payments. Examples of Infrastructure Tokens are Ether, Ether Classic, IOTA, and Ripple.
- b. Application Tokens can be used as a means of payment for a specific non-infrastructure application or a specific business model. Usually, the application tokens are not based on independent block chain but use existing infrastructure (e.g. Ethereum).

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**(2) WT TOKEN TREATMENT UNDER EU LAW.**

- The Currency Component of a WT Token Importantly, one further type of instrument is explicitly exempted from the definition of a security in Art. 4(1)(18) MiFID: instruments of payment. Note that it is not necessary for this exemption that currency tokens fulfill all three generally accepted economic criteria of a regular currency: unit of account, store of value, and means of payment. Rather, they only have to fall under the narrower category of instruments of payment. These include all liquid forms of payment such as cash and cheques. In a much-noted decision, the CJEU qualified bitcoin as a “contractual means of payment”.<sup>9</sup>
- The decision concerned the VAT treatment of bitcoins, not securities regulation; the list of securities in Art. 135(1)(f) VAT Directive, which the CJEU interpreted, differs from the one in MiFID. It lacks, for example, the reference to equivalents of shares in other entities, and to other forms of securitized debt.
- However, one has to acknowledge that currency tokens differ from traditional instruments of payment in a number of ways. To start with, pure currency tokens are denominated in a unit of account that does not have legal tender status in any nation at the moment.
- However, this deficiency is partially compensated for by their increasing liquidity: they can be converted into regular currencies, on cryptocurrency exchanges; or even into commodities, by paying for them, for example on Open Bazaar.

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<sup>9</sup> CJEU, judgement in *Hedqvist*, C-264/14, EU:C:2015:718, para. 42.

- The new E-Money Directive 2009/110/EC of the European Parliament and of the Council of 16 September 2009 on the taking up, pursuit and prudential supervision of the business of electronic money institutions, OJ 2009 L 267/7. Now defines electronic money in Art. 2(2) as “electronically stored monetary value as represented by a claim on the issuer which is issued on receipt of funds for the purpose of making payment transactions and which is accepted by a natural or legal person other than the electronic money issuer”.
- At the end of the day, pure currency tokens share a number of important characteristics, such as significant liquidity and lack of the registration of the “true owner”, with bearer payment instruments. This is why recent legislation in Japan has treated cryptocurrencies not as legal tender, but as means of payment similar to prepaid payment instruments. Which is perfectly fits to WT token.
- This discussion points to the main reason why instruments of payment are accepted from securities regulation. They pertain to an adjacent, but substantially different regulatory area:  
Banking and (freedom of) payment services regulation. Due their liquidity, pure currency tokens share the key characteristic of pure utility tokens: typical financial risks of investments are not at stake. There are some notable exceptions to this: exchange rate risks, introduced by the high volatility of exchange rates between cryptocurrencies and regular currencies;
  - However, regular currencies are also subject to the exchange rate risks among one another.
  - What is different is that regular currencies, by virtue of their legal tender status, always offer a way of spending the currency independent from direct exchange rate risks.
  - Increasingly, the possibility of buying consumer goods in exchange for the most prominent cryptocurrencies offers the same protection against exchange rate risks, at least if prices charged by retailers accepting cryptocurrencies do not simply reflect the current exchange rate of cryptocurrencies against, for example, the dollar.

Therefore, the conclusion of the CJEU in *Hedqvist* should hold not only for EU tax, but also for EU prospectus law: pure currency tokens are exempt from prospectus regulation as they resemble instruments of payment more than securities. This again matches US securities regulation under which, as scholars have argued, currency tokens like bitcoin are not considered securities, either.

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### (3) US LAWS APPLICATION.

#### A. WT and US Securities Laws:

The U.S. Supreme Court decisions interpreting the definition of “security” in the 1933 and 1934 securities acts, a definition that includes not only those instruments commonly regarded as securities – such as stock, notes, bonds

and other typical equity and debt instruments enumerated in the acts – but also any “investment contract.”

Whether WT token block chain protocol is an offer of securities depends, under the reasoning of the standards set by the U.S. Supreme Court, on whether or not WT Token is investment contracts and thus securities.

Courts since the 1930s have generated significant analysis of what is meant by the term “investment contract.” The Supreme Court in its 1946 decision in *SEC v. W.J. Howey Co.*, provided the seminal definition of that term. An investment contract was a “contract, transaction or scheme whereby a person invests his money in a common enterprise and is led to expect profits solely from the efforts of the promoter or a third party.”<sup>10</sup> Many courts in the succeeding seventy-one years have further expounded on each of the constituent parts of this test, now known as the Howey test.

Courts often break the Howey test into four prongs to determine (i) whether there exists an investment of money, (ii) whether there exists a common enterprise, (iii) whether there exists an expectation of profits, and (iv) whether the expectation of profits is solely from the efforts of others. If all prongs are satisfied, then a contract, scheme, or arrangement passes the Howey test and constitutes a security. If any one of the prongs is not met, the arrangement fails the Howey test and there is no security.<sup>11</sup>

**i. First prong: investment of money**

WT Token Offering meet the standard of the first prong by receiving valuable consideration in return for tokens. This is true whether the consideration is in the form of ETH, or Bitcoin, or another private currency, or any state-issued fiat currency. The WT Token offering is no exception, as it is designed to receive ETH in consideration for the issuance of product-use tokens.

**ii. Second prong: common enterprise.**

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<sup>10</sup> *SEC v. SG Ltd.*, 265 F.3d 42, 48 (1st Cir. 2001), citing *Teamsters v. Daniel*, *supra*, 439 U.S. at 559. *Daniel*, *supra*, 439 U.S. at 560.

<sup>11</sup> *Daniel*, *supra*, 439 U.S. at 560.

WT Token offering is most clearly not a horizontal common enterprise: it is not a “pooling of assets from multiple investors so that all share in the profits and risks of the enterprise.” *SG Ltd.*, supra, 265 F.3d 49.

Purchasers of WT internal value and simply network use tokens receive no share in the profits of the offeror entity. Nor do they share in its risks, except in the universal manner that purchasers of a product assume some degree of risk that the selling entity will fall short with respect to maintenance and support of the product.

However, this is not the type of investment risk that the *Howey* test examines, in which the investors share in the risk of loss of value of the offeror entity as stakeholders in a *common enterprise*, which naturally entails sharing both profits and risks.

Rather than stakeholders in a common enterprise, purchasers of WT tokens are in the position of *customers*, or in the context of rights to use a software- and network-based product and service, in the position of *licensees*, using smart contract architecture and simply in position of asset holders.

They can profit by using, and integrate assets and provided to others (advertisers) certain rights that they acquire by purchasing WT tokens, even if WIFI Capital suffers losses and other risks.

Under the language and standards of all the Supreme Court cases applying the *Howey* standard, which consistently look to horizontal commonality, there is no colorable argument to bring the WT Token and WIFI Network within the terms of the second prong of the *Howey* test.

Because some federal circuits, albeit a minority whose view has never been adopted by the Supreme Court, have applied some form of a “vertical commonality” test, this opinion will also examine whether the World WI-FI PTE. LTD. meets the standards that have been occasionally enunciated as “narrow vertical commonality” and “broad vertical commonality.”

The concept of vertical commonality requires that profits of investors be “interwoven with and dependent upon the efforts and success of those seeking the investment or of third parties” (narrow verticality), or “that the well-being of all investors be dependent upon the promoter’s expertise” (broad commonality).



The WIFI token offering and WT Token does not present a case of vertical commonality, because the profitability of purchasers of tokens depends predominantly upon how they use, develop, market and otherwise exploit the rights they have purchased to use a Network created by World WI-FI PTE. LTD. .

The profits, losses and risk profiles of WT token holders on the one hand, and World WI-FI PTE. LTD. on the other, do not bear any direct or other relationship to each other; as each side comprises independent companies and individuals with decision-making ability under the economic circumstances of the Network protocol transaction.

**As to the third prong of *Howey***, the expectations of profitability and advantage on the part of WT token purchasers in WT Token offering are a function of the token holders' own decisions and efforts about how to use and develop the rights they are purchasing, as summarized in detail in above.

Token holders are masters of their own destiny and fortunes, as they use the proportion of the WT network capacity they have purchased, as they buy the Invites that work on the WIFI network.

Because they are purchasing usage rights to products and services already available in beta version, token purchasers are dependent on their own evaluation of the products and services, rather than dependent on the future entrepreneurial and managerial efforts of World WI-FI PTE. LTD. and WIFI Network team.

At heart, the criticism collapses the “efforts of others” prong into the “expectation of profit” prong. It does so by relying on decisions that do not actually turn on the secondary market appreciation issue, and do not analyze it in much depth.

Because there is no central authority to exert “monetary policy,” the secondary market price of a decentralized token system is driven

exclusively by supply and demand. Supply and demand can be due to a variety of factors. One of those factors could be the efforts of the development team creating the token's functionality; but once that functionality is created, any "essential" efforts have by definition already been applied. It would be difficult to argue that any improvement on an already-functional token is an "essential" managerial effort.

The first category is self-evident. A profit motive simply does not predominate the transaction. The second category is more controversial. Critics of sales in this category might argue that the expectation of profit from resale on a secondary market is just speculative activity seeking capital appreciation. These critics might cite myriad federal court decisions holding that an expectation of mere "capital appreciation" on a secondary market, is sufficient to satisfy the Howey test.

What follows is an analysis of each prong in light of the nature of the WT token offering structure as described in WIFI WORLD whitepaper: i.e., the offering of WT tokens that confer rights (a) to provide placement for advertising services, (b) to use and consume network capacity associated with WT; (c) to follow their own profit opportunities according to their own capabilities, operational needs, product and service development plans, marketing capabilities, and risk profiles. In all these uses of the WT tokens, token holders can act independently of WIFI Project.

**Conclusion:**

**Under U.S. securities law, there is no reason for WT Tokens to deny persons in the United States the opportunity to purchase WT tokens in the future WIFI Token offering as proposed in the WIFI whitepaper.**

**IV. CERTAIN CONSIDERATION ON INVITES PROVIDED WITH WT TOKENS THE CERTAIN WT OWNERS.**

As provided before **the invite'** represents the simple access (referral link) to the Network smart contracts infrastructure. Smart contracts are software programs embedded in a Blockchain that can receive as well as send assets and information. Generally, the distribution of information and assets by the smart contract is entirely predefined in code and triggered by the fulfillment of certain conditions.

For example, if a Advertiser buys a Advertisement traffic from the seller via smart contract, the payment could be automatically released once the smart contract receives the information, that the package containing the gloves has been delivered to the buyer. The WIFI Network will be based on Ethereum is the most popular platform supporting smart contracts.

In simple manner **Invite** will be provided as reward to Users who bought more 5000 WT tokens, thus simply this transaction could be treated as reward based crowdfunding. The Users fund the Network will provide right to utilize its own smart contract system.

## V. COMPANY OVERVIEW

### Corporate structure:

Current permanent holder of WT cryptographic tokens is World WI-FI PTE. LTD. (Company), newly organized Singapore Company with registration number 201734448E, registration address: 419592, Windy Heights Singapore. The Company currently controlled by its founders Iliya Iashin (20 %) and Vladimir Gupalo (80%).

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

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

### Relationships between Corporate structures:

Russian subsidiaries are to provide to World WI-FI PTE. LTD., software development services under certain contract conditions and provide certain rights to use WIFI Network smart contracts.

Additionally, Russian subsidiaries will own the source code of the smart contracts and developed the Token offering ecosystem and provided the results to World WI-FI PTE. LTD., under this condition that Level Capital should exchange them to cryptocurrencies, in order to finance the Russian subsidiaries. Operating activity – by mean complete and finalize WIFI Network smart contracts.

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