LEGAL OPINION

THE PROJECT: BINAMON PLATFORM

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August 30, 2021

I. Introduction

This legal opinion will focus on the United States federal security laws.

Based on our analysis of the current case law, regulations of the competent governmental institutions in different parts of the world, including such agencies as SEC (Security and Exchange Commission) or CFTC (Commodity Futures Trading Commission), MAS (Monetary Authority of Singapore), ECB (European Central Bank) as well as based on various facts and materials derived from a plethora of ICOs conducted in different parts of the world, we come to the conclusion that the appropriately designed token may not entail risks of being recognized as an investment instrument.

Nevertheless, it has to be clearly understood that we cannot provide a thorough review aimed at checking the compliance with the regulatory regime of each jurisdiction. Hence, in this legal opinion we will focus on the United States security law.

This legal opinion is dedicated to the verification of a token (hereinafter - **"Token"** or **"BMON Token"**, **"BMON"**) presented by the Founders of the Project (hereinafter also **"Founders"** or **"Owners"**) on their website located at https://binamon.org, which is available for the general public with certain restrictions that may be imposed by the Founders from time to time (hereinafter **"Platform"**, **"Project"** or **"Binamon Project"**) as to whether such a token can be considered a security under United State Federal Securities Laws.

It should be noticed that the legal analysis herein may be updated in the future as the law in this area continues to develop. Furthermore, the below analysis is strictly theoretical, as no cases, that we are aware of and that are relevant to the subject matter, have been tested yet in the U.S. courts as of today.

II. Security Law Framework for Blockchain Tokens in Light of SEC Report

In re SEC v C.M. Joiner Leasing Corp., 320 U.S..344, 351 (1943) it is established that

"The reach of the Securities Act does not stop with the obvious and commonplace. Novel, uncommon, or regular devices, whatever they appear to be, are also reached if it be proved as a matter of fact that they were widely offered or dealt in under terms or courses of dealing which established their character in commerce as "investment contract", or any interest or instrument commonly known as security."

The same was held in Reves v. Ernst and Young, 494 U.S. 56, 61 (1990):

"Congress purpose in enacting the securities laws was to regulate investments, in whatever form they are made and whatever name they are called".

The U.S. Securities and Exchange Commission (hereinafter the "Commission" or "SEC") adheres to this position and declares that any new forms of investments via smart contracts or blockchain technology fall under the purview of US federal securities laws and on July 25, 2017, it issued a Section 21(a) investigative report, Release No. 81207 on investigation of DAO case. Among others, the abovementioned SEC report distinguishes projects where tokens represent securities as described above.

Hence, in this analysis we shall investigate and provide our legal opinion as to whether the BMON Token is a type of an investment vehicle that triggers relevant federal security laws provisions of the United States.

III. Security Law Analysis for the Binamon PROJECT and Its Token

Understanding the model of Project's work will help us to understand the nature of BMON Token. Therefore, we start with the fact-based part of the analysis of this legal opinion with an attempt to delve into the matter of business, which is not possible without comprehending the difficulties the system users are trying to overcome, and to reveal solutions the Binamon Project itself suggests in the White Paper. For the purpose of this analysis, we have examined the White Paper (hereinafter the **"WP"**) of the Project.

Binamon LTD is a company incorporated under the laws of the Virgin Islands that develops the Platform that we are considering under this legal opinion (hereinafter the **"Company"**).

In the White Paper, the Founders identify the main challenges currently facing both traditional collectible card games and digital collectible games.

According to Owners, traditional cards have high manufacturing costs, wear and tear and are often counterfeited. In turn, digital collectible cards have practically no connection with the gameplay, have high transaction fees, and are deprived of an attractive appearance.

According to WP, this Platform will combine the main advantages and features of collectible games and the cryptocurrency industry.

«Our vision is to create a complete metaverse of digital monsters, which allows millions of people to join the NFT & blockchain-based gaming world in an easy, creative and fun way.»

«To achieve this, we will create the following solutions:

- Ultra-Rare Digital Binamons

- Digital Collectibles

- Multiplayer Game

- Virtual Economy

- Battle Mode

- Staking Rewards»

Based on WP and information provided by the Founders:

(a) in connection with the Project, the Company has distributed / will distribute a fixed number of Tokens to buyers (hereinafter "Users") by selling such Tokens;

(b) the Platform Tokens perform the following functions:

Tokens can be used as currency in the payment infrastructure built into the Project, which:

(1) allows Users to pay for services / goods provided on the Platform. In particular, with the help of Tokens, the User gets the opportunity to purchase the Project's merchandise, buy or sell game characters or individual improvements for such characters;

«Players will be able to create assets and sell them on the marketplace. Assets will have the ability to enhance the power of the Binamons.»

«Users will be able to create and receive a physical version of their Binamons at home. For this, they must use the smart contract created for this purpose, prove ownership of the NFT, and pay for it with the $BMON token.»

(2) provides access to participation in multiplayer games organized within the Platform. For winning the game, the User receives a reward in the form of a Token;

«Battle to earn: With the battle mode, users will be able to fight each other by wagering $BMON tokens. The winner will take the prize.»

(3) allows Users to store and display collections of cards of their game characters.

«Wallet: In addition to holding and showcasing the collections, users will be able to buy & sell their Binamons through the mobile app.»

It is necessary to mention that we prepared and introduced here only the core features of the Project that will help us to analyze the BMON Token for Howey test.

In rendering this Opinion, we have made the assumptions (without enquiry) as set out in Appendix 1 of this Opinion ("Assumptions"). This Opinion is also subject to the qualifications as set out in Appendix 2 of this Opinion (the "Qualifications").

At this stage, we begin our assessment with the main participants of the Platform in order to understand the relationship between the Founders on the one hand, and the BMON Users (platform participants), on the other hand. With this in mind, it is fair to state that the relationship between the BMON Users referred to above will ultimately determine the relationship between the BMON Users and the Project Founders, and as a consequence, these relationships will lead to the final conclusion of this Legal Opinion.

There are several core participants in the Platform: This concept of participants division is very general and introduced here only for the purposes of this Legal Opinion.

Binamon Platform target participants:

- Founders;

  We believe that the Founders of the Platform are a separate category of participants in the Project, since they have certain rights and obligations in relation to the Platform.

Thus, the Owners are engaged in solving organizational and technical issues related to the current work of the Platform, as well as its development in the future.

In particular, the Founders provide support for the functioning of the official website of the Project, available at the link https://binamon.org/#tokens, ensure the operation of the functions available to Users at the moment, are engaged in the development of the application, as well as functions that will be launched on the Platform in the future.

- Users;

  Users are members of the Platform who are interested in the industry of collectible card games and the field of cryptocurrencies. Having gained access to the Platform, Users will be able not only to participate in tournaments organized by the Founders, but also to take part in the lottery and collect game characters.

Another conclusion is that all participants of the Platform are actively involved in its further development. Since the more Users the Project has and the more they perform operations using the Platform, the more complex and flexible the Binamon Platform itself becomes.

In addition, according to the data specified in the White Paper of the Project, Users have the opportunity to vote on certain issues related to the further development and functioning of the Platform.

«$BMON holders will be able to vote on proposals relating to the Binamon ecosystem:

Choose new NFT designs from community artists.

Vote for new functionalities for the video game.

Vote to solve important issues in the BINAMON metaverse.»

Obviously, no legal opinion on Howey Test may obviate the token analysis and we will scrutinize it not only in this part hereof. Only ensuring a practical use at the time of launch is insufficient to remove the token from the securities laws. However, we describe what we have in our case.

The liquidity comes with the risk of the SEC determination that the initial offering of the token may be a security offering. Any effort to create a secondary market significantly increases the likelihood that the SEC will deem the token sale to be a securities offering.

In this regard the SEC may question why tokens are sold to those who have no use for them and may have a compelling argument that the tokens could only have been sold as an investment vehicle in those specific situations).

A. Certain Considerations Related to the Decentralized Features of the Project

In spite of the fact that review and legal research on the matter related to whether the Project itself constitutes a decentralized application and the extent to which it may be considered as decentralized could add more value to and strengthen the conclusions made this Legal Opinion, we have not been asked to perform such research and, therefore, such analysis is out of scope of this letter.

B. Howey Test and Its Adoption by the Federal Courts (will be analysed further to the case)

In accordance with Section 2(a)(1) of the federal Securities Act of 1933 (hereinafter the "**Securities Act**" or "**Security Law**"), a security is:

"any note, stock, treasury stock, security future, security-based swap, bond, debenture, evidence of indebtedness, certificate of interest or participation in any profit-sharing agreement … investment contract … or, in general, any interest or instrument commonly known as a 'security', or any certificate of interest or participation in, temporary or interim certificate for, receipt for, guarantee of."

The federal Exchange and Securities Acts tend to control issuing of securities and to testify particular interests attached to them. However, the Securities Act promotes a priority of the substance over the form. Therefore, if the Commission reveals any type of cooperation promising any future profits merely out of signing particular contract, it may investigate the case and declare this contract a security. Under such circumstances, promoters of such instrument shall disclose particular information and submit it to the SEC.

The Supreme Court case for determining whether an instrument meets the definition of a security is SEC v. Howey, 328 U.S. 293 (1946). In that case, a promoter offered to purchase certain services (cultivation of land) for the fixe price and cost of services. It is important to note that further the promoter was delegated to distribute the net profits derived from the sale of fertile land among the holders of land plots during the harvesting period. There were only 42 investors interested in purchasing the land.

Analyzing the fact pattern, the Court construes the *"investment contract"* term within the definition of security and notes that it has been used to classify those instruments that are of a *"more variable character"* that may be considered as 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."* 11 Howey, 328 U.S. at 298; Golden v. Garafolo, 678 F.2d 1139, 1144 (2d. Cir. 1982).

More specifically, the court comes to the conclusion that the contract between the promoter and investor constitutes an investment contract. The court explains the definition of the security transaction as follows:

"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."

Moreover, the court said that this definition was "*crystallized*" in the state courts cases long before adoption of the federal act. The Supreme Court continues that the term

"had been broadly construed by state courts so as to afford the investing public a full measure of protection. Form was disregarded for substance and emphasis was placed on economic reality."

The Court stated that its definition of investment contracts

"embodies a flexible rather than a static principle, one that is capable of adaptation to meet the countless and variable schemes devised by those who seek the use of the money of others on the promise of profits."

Eventually, to determine that this is an investment contract, the court has to establish that the following applies: (i) *investment of money*; (ii) *common enterprise*; (iii) *expectation of profits*; (iv) *solely from the efforts of others* (e.g., from a promoter or third party).

With regard to the first prong *"investment of money"*, there is no basis for disagreement. The only issue that may arise here is whether cryptocurrency may constitute viable consideration interest in lieu of the obtained interests attached to the token. This issue is addressed by the Supreme Court itself holding that the first prong requires only

"tangible and definable consideration in return for an interest that had substantially the characteristics of a security."

One of the legal issues related to the "*investment of money*" criterion, thanks to blockchain technologies, is that there could be smart contracts that are acting autonomously and independently: cryptocurrency may be transferred to one contract while tokens, in lieu thereof, will be transferred ("*airdropped*") by another smart contract. Furthermore, there could be a possibility that sent outbound and inbound transactions are not linked enough to each other to be covered by sole intention, i.e. no reasonable expectations to receipt tokens were available.

Therefore, there should be a reasonable belief that different smart contracts, if any, form an integral part of one transaction, cryptocurrency (money) has been provided in consideration for the interests provided by the tokens.

However, the Supreme Court fails to specify the definition of a common enterprise. Federal circuits developed two different concepts to analyze underlying contractual relationships of the parties. The first doctrine is "*horizontal commonality"* and the second is "*vertical commonality"*

Horizontal commonality is found when a) investors' contributions are pooled together (and according to some courts, there is a pro rata sharing of profits) b) the fortune of each investor depends on the success of the overall enterprise.

In contrast, vertical commonality presupposes that common enterprise may be found where the investors' fortune is dependent on the expertise of the promoter or third parties. In case of narrow vertical commonality, investors' profits shall be tied to the profits of promoters.

It is not necessary that the funds of investors are pooled; what must be shown is that the fortunes of the investors are linked with those of the promoters, thereby establishing the requisite element of vertical commonality. Thus, a common enterprise exists if a direct correlation has been established between success or failure of the promoter's efforts and success or failure of the investment.

According to this view, the test is satisfied if the promoter and the investor are both exposed to risk and the profits and losses of investor and promoter are correlated.

In broad vertical commonality, investors' success depends on the efficacy of the managers or third parties. Both the Fifth Circuit and the Eleventh Circuit follow this view. If the investor relies on the promoter's expertise, then the transaction or scheme represents a common enterprise and satisfies the second prong of the Howey test.

As it was mentioned above, the circuits now disagree over the term *"common enterprise"*.

The third prong is an *"expectation of profit derived from the entrepreneurial or managerial efforts of others"*. Analyzing this prong, courts consider whether potential investors 1) expect to receive profits from their own efforts (use of rights or services obtained from promoters) or 2) from the efforts (managerial expertise) of the founders.

Even though in re Howey, the Court used the phrase "solely" from the efforts of others, the lower courts relaxed this prong, adopting concepts of "*undeniably significant"* or "*predominantly*" (Rivanna Trawlers Unlimited v. Thompson Trawlers, Inc., 840 F.2d 236, 240 n.4 (4th Cir. 1988) SEC v. Life Partners, Inc., 87 F.3d 536, 545 (D.C. Cir. 1996); SEC v. Int'l Loan Network, Inc., 968 F.2d 1304, 1308 (D.C. Cir. 1992). SEC v. Koscot Interplanetary, Inc., 497 F.2d 473, 483 (5th Cir. 1974) (quoting SEC v. Glenn W. Turner Enters., Inc., 474 F.2d 476, 482 (9th Cir. 1973)

In United Housing Foundation, Inc. v. Forman, the Supreme Court stated, *"The touchstone is the presence of an investment in a common venture premised on a reasonable expectation of profits to be derived from the entrepreneurial or managerial efforts of others."* 421 U.S. 837, 852 (1975)

Since that time, some courts are investigating whether there is de minimis efforts of investors and whether efforts of them are insubstantial factor for the investor to participate in the contract.

Other courts have a look whether the efforts of offerors of the contract are predominant and more significant in comparison with those of investors in light of future expectation of profits or that efforts of those other than the investors are *"the undeniably significant ones"*.

Finally, some courts hold that the fourth prong is satisfied when the expectations of profits derive from the managerial and entrepreneurial efforts of the offerors, *"in unspecified measure and unspecified comparative weight as to the relative significance with investors' efforts and offerors' or third parties' efforts."*

C. Considerations of DAO Case by the Securities and Exchange Commission.

Report of Investigation Pursuant to Section 21(a) of the Securities Exchange Act of 1934: the DAO (hereinafter the **"DAO case"** or **"Report"** or **"Investigation"**) is the first investigation of the Commission in attempt to provide the ICO market with an interpretation or application of the US Security regulations (Securities Act of 1933) to a new paradigm of decentralized economy with the "rule of code".

"The investigation raised questions regarding the application of the U.S. federal securities laws to the offer and sale of DAO Tokens, including the threshold question whether DAO Tokens are securities. Based on the investigation, and under the facts presented, the Commission has determined that DAO Tokens are securities under the Securities Act of 1933 ("Securities Act") and the Securities Exchange Act of 1934 ("Exchange Act")."

The Report revealed that tokens introduced by the DAO were security instruments, hence are subject to the federal securities laws. Among others, the Report claims that blockchain technology-based securities must be registered unless a valid exemption applies. Those participating in unregistered offerings may be liable for violations of the securities laws.

The Commission confidently stress that federal law shall be equally applied as to conventional corporations issuing investment instruments so as to virtual structures such as decentralized autonomous organizations – the DAO.

The four cornerstones formed by the US judicial law shall be intact. And in this regard, the Report looks at the DAO Token through the prism of four elements of the well-known Howey Test: investment of money in a common enterprise for the expectation of profits solely from the managerial efforts of others.

As it is stated in the Investigation:

"This Report reiterates these fundamental principles of the U.S. federal securities laws and describes their applicability to a new paradigm—virtual organizations or capital raising entities that use distributed ledger or blockchain technology to facilitate capital raising and/or investment and the related offer and sale of securities.

The automation of certain functions through this technology, "smart contracts,"3 or computer code, does not remove conduct from the purview of the U.S. federal securities laws.4 This Report also serves to stress the obligation to comply with the registration provisions of the federal securities laws with respect to products and platforms involving emerging technologies and new investor interfaces."

Without any doubts investigation on DAO has dramatic effect on legal reasoning as to whether a token is a security instrument or not. And this legal opinion is not an exception, as it will apply conclusions of the Commission and the four-prong test.

It is clearly stated in the Report that registration of securities is required for the purposes of full disclosure of information to the investors. Such disclosure enables purchasers to make a considerable decision. In other words, that is a legal scrutiny for investor protection.

Section 5 of the Securities Act declares:

"The registration provisions of the Securities Act contemplate that the offer or sale of securities to the public must be accompanied by the "full and fair disclosure" afforded by registration with the Commission and delivery of a statutory prospectus containing information necessary to enable prospective purchasers to make an informed investment decision. Registration entails disclosure of detailed "information about the issuer's financial condition, the identity and background of management, and the price and amount of securities to be offered …".

The DAO is a drastic example of a Decentralized Autonomous Organization that was used by the founders as a representation of a "virtual" organization incorporated in a form of a code. The DAO was thought as a for profit organization that emits tokens to investors in order to form a corpus of assets that would be then used to fund "projects".

Prospective holders of DAO tokens are supposed to share earnings from these projects as a return on their investment in DAO tokens. In addition, DAO token holders could monetize their investments re-selling tokens on a number of web-based platforms that supported secondary trading in the DAO Tokens.

"DAO Token holders were not restricted from re-selling DAO Tokens acquired in the offering, and DAO Token holders could sell their DAO Tokens in a variety of ways in the secondary market and thereby monetize their investment as discussed below. Prior to the Offering Period, Slock.it solicited at least one U.S. web-based platform to trade DAO Tokens on its system and, at the time of the offering, The DAO Website and other promotional materials disseminated by Slock.it included representations that DAO Tokens would be available for secondary market trading after the Offering Period via several platforms.

During the Offering Period and afterwards, the Platforms posted notices on their own websites and on social media that each planned to support secondary market trading of DAO Tokens."

"For example, customers of each Platform could buy or sell DAO Tokens by entering a market order on the Platform's system, which would then match with orders from other customers residing on the system. Each Platform's system would automatically execute these orders based on pre-programmed order interaction protocols established by the Platform".

DAO construction was built in a way to allow any DAO token holder to have a vote right for a project that would promise certain investment returns. Each action of a token holder was executed via a smart contract

"According to the White Paper, in order for a project to be considered for funding with "a DAO [Entity]'s [ETH]," a "Contractor" first must submit a proposal to the DAO Entity. Specifically, DAO Token holders expected Contractors to submit proposals for projects that could provide DAO Token holders returns on their investments. Submitting a proposal to The DAO involved: (1) writing a smart contract, and then deploying and publishing it on the public ledger"

The Report starts its legal analyzes applying each element of the Howey Test. The first one realizes to be straightforward. Each DAO participant invests a certain amount of funds to acquire tokens that would provide him with ownership right and the right to vote in a project that promises to be profitable. Hence, the Commission finds the first element of the Howey Test to be satisfied.

"In exchange for ETH, The DAO created DAO Tokens (proportional to the amount of ETH paid) that were then assigned to the Ethereum Blockchain address of the person or entity remitting the ETH. A DAO Token granted the DAO Token holder certain voting and ownership rights. According to promotional materials, the DAO would earn profits by funding projects that would provide DAO Token holders a return on investment."

The second element was found to be positive as well since the DAO was clear in its intentions and provided on its website information on for profit purpose of organization.

"[P]rofits" include "dividends, other periodic payments, or the increased value of the investment." Edwards, 540 U.S. at 394. As described above, the various promotional materials disseminated by Slock.it and its cofounders informed investors that The DAO was a for-profit entity whose objective was to fund 12 projects in exchange for a return on investment. 35 The ETH was pooled and available to The DAO to fund projects"

The final element has been met as token holders were fully reliant on the actions of third parties.

"Investors in The DAO reasonably expected Slock.it and its co-founders, and The DAO's Curators, to provide significant managerial efforts after The DAO's launch. The expertise of The DAO's creators and Curators was critical in monitoring the operation of The DAO, safeguarding investor funds, and determining whether proposed contracts should be put for a vote"

D. Consideration of Munchee Case by the Securities and Exchange Commission.

After the DAO Report the next case of a paramount importance is the cease-and desist order (hereinafter – the **"Order"**) against a Californian corporation, Munchee Inc. (hereinafter – **"Munchee"**) where the latter was declared to be a company that organized unregistered sale of security instruments.

After the Howey Test scrutiny, the Commission found that Munchee tokens did not satisfy the third and fourth element of the test. The Securities and Exchange Commission implications in Munchee`s Order has a long-standing effect on the legal reasoning applied to the tokens of any ICO project.

Thereby the SEC has sent a clear message that it will take substantial approach to any ICO project.

That said, factual actions of a company may implicate that tokens are contemplated to be traded on a secondary market. For instance, if it is marketed beyond the targeted audience or burned for its price appreciation or endorsed for third-party statements on token attraction for investment purposes. All these factors though not being explicitly stated shall be weighted in every ICO project, and in this legal opinion we analyze this fact pattern also.

Munchee created an iPhone application for people to review restaurant meals. In October and November 2017, Munchee arranged offering the digital tokens (hereinafter – **"MUN"** or **"MUN token"**) to be issued on a blockchain.

Munchee offered MUN tokens to raise about $15 million in capital so that it could, firstly, improve its existing app and, secondly, recruit application users (restaurants) to purchase advertisements, write reviews, post photographs or to buy food and conduct other transactions using MUN. The company communicated through its website, a white paper, and other means that it would use the proceeds to create the platform.

The Securities and Exchange Commission have investigated in the Order that in the white paper Munche ensured investors that token shall be listed on several prominent US exchange markets or at least it will take all reasonable stapes for that. Then, the trade has occurred far beyond the US while the visitors of the restaurant were in the California.

What is more, Munchee declared on support of a token price appreciation. Hence, any prospective token holder may reasonably believe that their investments in tokens could generate a considerable profit. The following is stated in the Order by the SEC:

"In the MUN White Paper, Munchee stated that it would work to ensure that MUN holders would be able to sell their MUN tokens on secondary markets, saying that "Munchee will ensure that MUN token is available on a number of exchanges in varying jurisdictions to ensure that this is an option for all token-holders. "

"Munchee represented that MUN tokens would be available for trading on at least one U.S.-based exchange within 30 days of the conclusion of the offering. It also stated that Munchee would buy or sell MUN tokens using its retained holdings in order to ensure there was a liquid secondary market in MUN tokens."

In the white paper Munchee has tried to persuade investors that it would run its business in a way that would cause MUN tokens to rise in value. The so-called platform is structured to burn tokens taking them out of circulation and thereby raising their price. Or, in another case, it was stated in the white paper that the holder of more tokens would be rewarded with a major number of tokens.

Besides that, the SEC defined that despite of Munchee statements in the white paper, no economic circulation has finally occurred within the platform. Thereby, it may be concluded that Munchee artificially intensified appreciation of token value. The following is stated in the Order of the Commission:

"In the MUN White Paper, on the Munchee Website and elsewhere, Munchee and its agents further emphasized that the company. First, Munchee described a "tier" plan in which the amount it would pay for a Munchee App review would depend on the amount of the author's holdings of MUN tokens.

For example, a "Diamond Level" holder having at least 300 MUN tokens would be paid more for a 5 review than a "Gold Level" holder having only 200 MUN tokens. Also, Munchee said it could or would "burn" MUN tokens in the future when restaurants pay for advertising with MUN tokens, thereby taking MUN tokens out of circulation. Munchee emphasized to potential purchasers how they could profit from those efforts:

While Munchee told potential purchasers that they would be able to use MUN tokens to buy goods or services in the future after Munchee created an "Platform," no one was able to buy any good or service with MUN throughout the relevant period."

Figure 1: Munchee Economic Model

As it follows from the Order, the Munhee marketing campaign was aggressively designed as to deliver to investors an idea that MUN will be traded on a secondary market with an exponential growth. The more actively Munchee echoes this message the less meaningful becomes the economical use of the Platform. The SEC has traced the following blog post commercials that among others proves investor`s expectations of profits.

"Munchee published a blog post on October 30, 2017 that was titled "7 Reasons You Need To Join The Munchee Token Generation Event." Reason 4 listed on the post was "As more users get on the platform, the more valuable your MUN tokens will become" and then went on to describe how MUN purchasers could "watch their value increase over time" and could count on the "burning" of MUN tokens to raise the value of remaining MUN tokens."

Munchee underlines the strong linkage between the number of participants, building of the platform and growth of MUN token value.

"Similarly, on or about October 23, 2017, one of Munchee's founders described the opportunity on a podcast about the MUN offering: So they [users] will create more quality content to attract more restaurants onto the platform.

So the more restaurants we have, the more quality content Munchee has, the value of the MUN token will go up – it's like an underlying incentive for users to actually contribute and actually build the community."

What is more, Munchee were negligent to endorse third party statements that touted the opportunity to profit.

“On October 25, 2017, Munchee created a public posting on Facebook, linked to a third-party YouTube video, and wrote “199% GAINS on MUN token at ICO price! Sign up for PRE-SALE NOW!” The linked video featured a person who said “Today we are going to talk about Munchee. Munchee is a crazy ICO.

If you don’t know what an ICO is, it is called an initial coin offering. Pretty much, if you get into it early enough, you’ll probably most likely get a return on it.”

This person went on to use his *“ICO investing sheet”* to compare the MUN token offering to what he called the *“Top 15 ICOs of all time”* and *“speculate[d]” that a $1,000 investment could create a $94,000 return.”*

Finally, the MUN token marketing campaign strengthen beyond the United States where the restaurant was not located and focused primarily to the forums of people who are interested in crypto assets investments.

“Instead, Munchee and its agents promoted the MUN token offering in forums aimed at people interested in investing in Bitcoin and other digital assets, including on BitcoinTalk.org, a message board where people discuss investing in digital assets. These forums are available and attract viewers worldwide, even though the Munchee App was only available in the United States.”

Similarly, Munchee offered to provide MUN tokens to people who published promotional videos, articles or blog posts in forums such as BitcoinTalk.org or otherwise helped Munchee promote the MUN token offering. More than 300 people promoted the MUN token offering through social media and by translating MUN token offering documents into multiple languages so that Munchee could reach potential investors in South Korea, Russia, and other countries where the Munchee App was unavailable”

In conclusion and for the purposes of this Legal Opinion, we note that in accordance with the SEC position in Re Manchee any ICO project may not meet the third and fourth prong (expectation of profits solely from the managerial benefits of others) of the Howey test if the Project represents only veil without substantial economical underlines Platform.

E. Compare with the Verge Crypto-Currency General Partnership case

Plaintiffs Cameron James and the other plaintiffs filed their Complaint against Justin E. Valo. The case allegedly arises out of the theft of Plaintiffs' Verge virtual currency (the **"Verge Coins"**), which were themselves unregistered securities, from a smart phone "hot wallet" application called CoinPouch, that was developed and marketed by two related Texas entities that are now in bankruptcy—Touch Titans, LLC, and Touch Titan Labs, LLC.

Among others, plaintiffs claim a Defendant Valo, the Lead Developer of Verge, and the Verge Crypto-Currency General Partnership, a common law general partnership that formed to develop, market and benefit from the use of the Verge Coins (collectively the **"Partnership"**), engaged in intentional, reckless or negligent acts leading to the theft of their Verge Coins.

In accordance with the complaint, the Partnership violated Sections 5 and 12(a) of the Securities Act and the Computer Fraud and Abuse Act ("CFAA") [18 U.S.C. § 1030], in addition to other relevant Texas state law claims pleaded. The second count was securities law violation, the third count conversion, the fourth unjust enrichment, and the fifth claim was based on product liability.

For the purposes of this Legal Opinion, we consider one issue which, on our point of view, might be relevant to the fact pattern provided in the WP even though there is no any court decision in the case Justin E Valio and Partnership.

We do not consider how Plaintiff came to the conclusion that Verge token *is not a security* in accordance with the Howey Test, since the latter does not provide explanations on its reasons behind the claim. However, the question we have proposed is whether the Binamon Project amounts to a partnership.

In accordance with Uniform Partnership Act of 1997 Section 202:

a) …association of two or more persons to carry on as co-owners a business for profit forms a partnership, whether or not the persons intend to form a partnership.

b) In determining whether a partnership is formed, the following rules apply:

(1) Joint tenancy, tenancy in common, tenancy by the entireties, joint property, common property, or part ownership does not by itself establish a partnership, even if the co-owners share profits made by the use of the property.

(2) The sharing of gross returns does not by itself establish a partnership, even if the persons sharing them have a joint or common right or interest in property from which the returns are derived.

(3) A person who receives a share of the profits of a business is presumed to be a partner in the business, unless the profits were received in payment:

From the uniform law provided above it can be inferred that a major difference between a partnership and other forms of incorporation related to whether and the extent to which the entire business may be declared to be a legal entity.

In this respect it can be defined that legal entity is a separate subject of law having it is own rights such as right to own and dispose of property, to sue and be sued, and to enter into contracts. In other words, there are two separate subjects recognized by the law.

When individuals carry out a common enterprise as partners the common law dictates that partnership does not exist. Under the common-law theory, a partnership is an aggregate word for individuals. The rights and duties recognized and imposed by common law are those of the individual partners.

Plaintiffs in their lawsuit did not unfold the doctrine of joint partnerships, however made a conclusion as such since several people were listed in the Black Paper with the main goal of investment collection: such as founders, developers, marketers.

In this respect and considering that alleged claims to be true and people involved in building an ecosystem are those that “receives a share of the profits” members of the decentralized system perhaps falls into domain of Section 202 (a) (3) of the Uniform Partnership Act 1997.

Based on WP and information provided by the Platform Founders, we note that the profit sharing element is not satisfied with respect to the Project tokens because:

(a) the Functions of the Tokens do not grant Users any rights to participate in or receive any profit, income or other payments by virtue of their possession of the Tokens; and

(b) although a User using the Platform may be able to receive tokens for their contribution to the Platform, such distribution of rewards and / or incentives is based on the User contributing to the Platform by providing liquidity to the Platform's liquidity pool. Accordingly, rewards and / or incentives are allocated in accordance with such contributions of such User to the Project, and not because such User owns tokens.

The Binamon Project case is different since it is more likely that Tokens do not represent an investment instrument as it is analyzed below. Taking for granted that Tokens are not securities, we may come to conclusion that section of 202 (a) (3) is not applicable here. Each User is not a partner to Binamon and is not promised any share in any Binamon company.

Then, unlike with the Verge Case, in the Binamon Project none of the materials identify persons involved in the promotion of the Project, its tight circle, bonds, investments interests or forms of incorporation.

Yet, the Binamon Project might fall into a "safe harbor" provided in section 202 (a) 2 of the Uniform Partnership Act 1997 providing mere sharing of gross returns does not establish partnership even if the persons sharing them have a joint or common right or interest in property from which the returns are derived.

Considering all the above, we would like to note that the Verge case is a mere claim of a Plaintiff. No decision by the competent court have yet introduced the decision and underlined its point of view, therefore this case is not decisive to this Legal Opinion.

F. Guidelines, Report on ICO and other Sources taking for Consideration in this Legal Opinion.

1) SEC's order against blockchain company Block.one. to pay $24 million penalty for unregistered ICO;

2) SEC`s order against EtherDelta for operating an unregistered exchange;

3) SEC`s order against international security-based swaps dealer XBT Corp that targeted U.S. investors;

4) SEC`s order against ICO incubator ICOBox and founder for unregistered offering and unregistered broker activity;

5) SEC`s order against Bitqy and BitqyM and its founders for defrauding investors in unregistered offering and operating unregistered digital asset exchange;

6) SEC`s order against research and rating provider ICORating with failing to disclose it was paid to tout digital assets;

7) SEC against Kik Interactive, No. 19-cv-5244 (S.D.N.Y., filed June 4, 2018);

8) SEC`s Investor Bulletin: Initial Coin Offerings, July 25, 2017;

9) SEC Investor Alert: "Bitcoin and Other Virtual Currency-Related Investments";

10) SEC Investor Alert: "Ponzi Schemes Using Virtual Currencies";

11) SEC Investor Alert: "Social Media and Investing – Avoiding Fraud";

12) SEC Investor Alert: "Public Companies Making ICO-Related Claims" Aug. 28, 2017;

13) Statement on framework for investment contract' analysis of digital assets, Bill Hinman, Director of Division of Corporation Finance Valerie Szczepanik, Senior Advisor for Digital Assets and Innovation;

14) Chairman's testimony on virtual currencies: "The Roles of the SEC and CFTC" Chairman Jay Clayton, Washington D.C., February 6, 2018;

15) Framework for "Investment Contract" Analysis of Digital Assets by the Strategic Hub for Innovation and Financial Technology.

G. Analysis Under the Howey Test

We provide our analysis of the Token below based on each Howey test factor.

(1) Investment of Money

In determining whether an investment contract exists, the investment of "money" need not take the form of cash. See, e.g., Uselton v. Comm. Lovelace Motor Freight, Inc., 940 F.2d 564, 574 (10th Cir. 1991).

"In spite of Howey's reference to an 'investment of money,' it is well established that cash is not the only form of contribution or investment that will create an investment contract."

In Re DAO Report

*Investors in The DAO used ETH to make their investments, and DAO Tokens were received in exchange for ETH. Such investment is the type of contribution of value that can create an investment contract under Howey. See SEC v. Shavers, No. 4:13-CV-416, 2014 WL 4652121, at *1 (E.D. Tex. Sept. 18, 2014) (holding that an investment of Bitcoin, a virtual currency, meets the first prong of Howey); Uselton, 940 F.2d at 574 ("[T]he 'investment' may take the form of 'goods and services,' or some other 'exchange of value'.")*

As we can see in the case law analysis above, it was not difficult for courts to establish the *"investment money"* prong.

There is no question as to the public offering, since the White Paper has been placed on the Website and available to all third parties on it. Furthermore, the Website itself includes information about the BMON Tokens and purchase thereof.

However, further distribution of the Tokens will ultimately be outside of the Project's control. Hence, we may treat this as broad communications to the general public. It is stated in the court's decision that Bitcoin may be used to purchase goods or services or to pay for individual living expenses. The only limitation of Bitcoin is that it is limited to those places that accept it as the currency.

Since Bitcoin or any other cryptocurrency has all functions inherent to a real currency, it can be considered as the "money" when it is used as consideration in forming an investment contract.

Therefore, this element of the test is straightforward for us and points toward the BMON Tokens being an investment contract.

(2) Common Enterprise

In contrast with the *"Investment of Money"* prong, the BMON Token does not satisfy either common enterprise or vertical element of the Howey Test, subject, however, to certain presumptions made below.

In accordance with the *"Framework for Investment Contract Analysis of Digital Assets"* designed by the Strategic Hub for Innovation and Financial Technology:

"Courts generally have analyzed a "common enterprise" as a distinct element of an investment contract. In evaluating digital assets, we have found that a "common enterprise" typically exists.

Based on our experiences to date, investments in digital assets have constituted investments in a common enterprise because the fortunes of digital asset purchasers have been linked to each other or to the success of the promoter's efforts. See SEC v. Int'l Loan Network, Inc., 968 F.2d 1304, 1307 (D.C. Cir. 1992)."

We disagree.

The horizontal common enterprise is found where investors combine their investments in one pool and the fortune of each investor depends on the success of the overall enterprise. And in some courts, judges are seeking to decide whether a pro rata sharing of profits takes place.

The key essence of this approach is that investors are tied together in their risks either to receive or to lose everything. That is not the case in our circumstances.

It is likely that funds are pooled together because fund initially collected by the Project from the Token purchasers are pooled and locked in the smart contract. However, the Project promotes gathering of funds not only for further development of the Platform but for marketing and development purposes also.

Another element for the horizontal common enterprise that has to be found is the dependence or, on the contrary, independence of the enterprise founders and each user. Under our circumstances, it cannot be inferred that the fortune of each investor depends on the success of the overall enterprise.

One may argue that in respect of launching the Project the success of each users shall indeed be equal to success of another, as the failure to develop the Platform would affect all users. However, this argument has many flaws.

We believe that the Users and Founders are likely to be independent in their use of the Project. Any User can act independently and act within the Platform in their own interests. In turn, in relation to Users, the Platform provides a platform for playing games, collecting, exchanging, buying and selling goods, as well as technical support that can be used within the Platform. Thus, we can state that the state of each BMON User is more likely independent of the state of the Project.

Finally, the Platform is not designed to directly or indirectly share any of its profits with the Users.

In the vertical enterprise test, it is not necessary that the funds of investors are pooled; what must be shown is that the fortunes of the investors are linked to those of the promoters, thereby establishing the requisite element of vertical commonality. Thus, a narrow vertical enterprise exists if a direct correlation has been established between success and failure of the promoter's efforts and success and failure of the investor.

The risks a BMON Users accepts are more likely of a different nature as compared with those risks that promoters incur (founders or some third parties).

The Projects' risks are associated with the inability to use funds in a way not specified in the White Paper , or properly, or end up with a fiasco either with the use of funds, or with the development of the system or its launch, or with the lack of a critical number of users that could increase the economy of the Project.

In all other cases, it is more likely that the promoters' risks do not correlate with those of the users. We are inclined to believe that, in general, BMON Users risk only if the declarations contained in the White Paper will not be implemented.

In broad vertical commonality, investors' success depends on the efficacy of the managers or third parties. If the investor relies on the promoter's expertise, then the transaction or scheme represents a common enterprise and satisfies the second prong of the Howey Test.

The Platform may be launched by and is available for use to any allowed user, therefore, every member of the Project starts to pursue its own purposes and thus in such pursuit will face its own risks, misfortunes and failures that would not be commingled with the fortunes of the Project enterprise.

At the same time, we did not find any information on the way funds collected from the sale of the Tokens shall be distributed among founders, developers of the Project or advisers.

It might be inferred that Token is more likely to be a consumer goods than a security since consumer goods companies do not generally induce purchasers to purchase their products by advertising how the purchase money will be used. It is likely that the relevant information provided in the White Paper serves for informational purposes only, rather than to incentivize the prospective purchasers to buy the BMON Tokens.

Accordingly, and taking into account the above-mentioned, in our opinion, the BMON Token is more likely not to match a common enterprise element of the Howey Test.

The presumption in support of our reasoning here is based on the fact that a prospective BMON Users purchases the Tokens not only with the speculative purposes but also with the intent to use the Platform and benefit from it.

However, this presumption may be eliminated by the fact that a single purchaser (or at least some of them) may purchase Tokens with no intention to use the Platform, rather to hold these Tokens and to profit from trading in exchanges or receiving a passive income.

(3) Expectation of Profits

We consider that the *"Expectation of Profits"* element is matched for the following reasons.

The case law that we have analyzed above revealed that the *"Profits"* definition may be construed broadly and may include not only the fiat money but also other benefits. However, even though the above foregoing is true, it would be a superficial analysis of the Project at stake.

In Re DAO Report in was stated the following

"The ETH was pooled and available to The DAO to fund projects. The projects (or "contracts") would be proposed by Contractors. If the proposed contracts were whitelisted by Curators, DAO Token holders could vote on whether The DAO should fund the proposed contracts. Depending on the terms of each particular contract, DAO Token holders stood to share in potential profits from the contracts. Thus, a reasonable investor would have been motivated, at least in part, by the prospect of profits on their investment of ETH in The DAO"

At the same time, in consideration of Munchee Case interesting point has been concluded:

"Like many other instruments, the MUN token did not promise investors any dividend or other periodic payment. Rather, as indicated by Munchee and as would have reasonably been understood by investors, investors could expect to profit from the appreciation of value of MUN tokens resulting from Munchee's efforts."

Security Exchange Commission Steps further in Munchee and underlines uselessness of merely denoting token a utility as such

Even if MUN tokens had a practical use at the time of the offering, it would not preclude the token from being a security. Determining whether a transaction involves a security does not turn on labelling – such as characterizing an ICO as involving a "utility token" – but instead requires an assessment of "the economic realities underlying a transaction." Forman, 421 U.S. at 849. All of the relevant facts and circumstances are considered in making that determination. See Forman, 421 U.S. at 849 (purchases of "stock" solely for purpose of obtaining housing not purchase of "investment contract"); see also SEC v. C.M. Joiner Leasing Corp., 320 U.S. 344, 352-53 (1943) (indicating the "test . . . is what character the instrument is given in commerce by the terms of the offer, the plan of distribution, and the economic inducements held out to the prospect").

The case is that the expectation of profits from a purchase of any subject of value almost always takes place. The one may be motivated and has to have speculative interest, for example, to resale the commodity or the right rather than interest in personally consuming the subject of value.

"It is an investment where one parts with his money in the hope of receiving the profits from the efforts of others, and not where he purchases a commodity for personal consumption or living quarters for personal use".

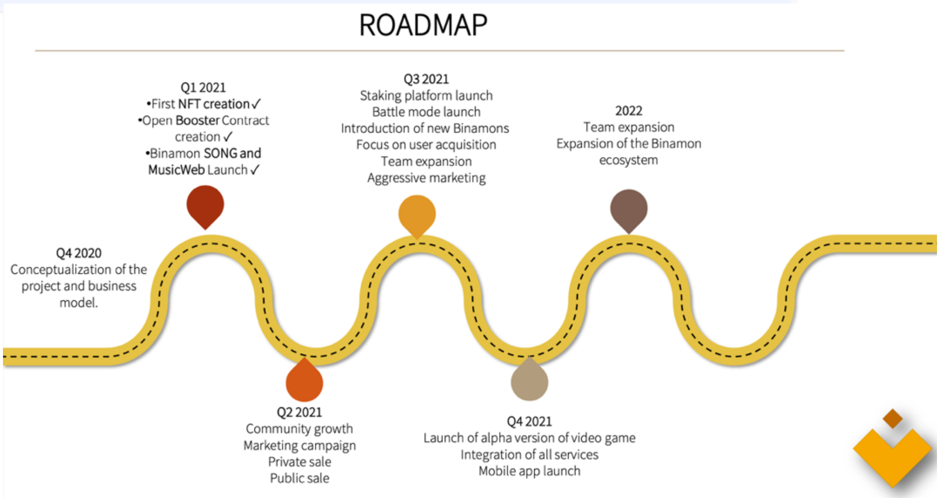
Applying the above-mentioned law to the case at bar, we can infer that like in any other projects BMON Users will be inevitably divided into two groups - those who are seeking to use the Platform and those who merely intend to trade on the secondary market. And we have to admit that some people in the first group of the Users may enter the exchange market to sell the Tokens due to its market price appreciation.

As we can see from the facts described below, the Platform is designed in such a way as to provide its holders with access to games in the first place. Therefore, it can be concluded that the token can be used primarily for utility purposes.

Under our analysis we look at how much development needs to happen for the token to reach its usefulness. If a token is sold in an undeveloped state, that provides the stronger argument that purchasers are buying and expect profits "*from the efforts of others*." Thus, the more work that needs to be done on the token, the greater the risk the company takes at the time it sells that token.

Thus, the more work that needs to be done on the token, the greater the risk the company takes at the time it sells that token.

The White Paper of the Project contains information about the plans of the Founders for the development of the Platform. As can be seen from the data indicated in the roadmap, most of the functions described in the White Paper are available to token holders right now, other functions are at the final stage of development and will be available to Users in the near future. Since the Platform is developed and launched, we can conclude that the Token is more likely to be a utility token.



Legal Kornet

Therefore, and taking into account the foregoing, we suppose this prong is more likely to push the scale towards BMON Token not being deemed as a security.

(4) Solely from the Managerial Efforts of Others

Analyzing this prong, courts consider whether the potential investors expect to receive profits 1) from their own efforts (use of rights or services obtained from promoters) or 2) from the efforts (managerial expertise) of the others (promoters, managers).

As we discussed above, not all courts share the approach of the Supreme Court using the term *"solely"* that defines the efforts of others.

If we apply the concept "only" from the efforts of others, this prong is more likely not to be satisfied. Tokens also may be used as means of payment in the future, so the more transactions holders make, the more attractive Platform and Tokens are; however, solely this could not establish the prong of the Howey test in question, due to the fact that it is reasonable and expected market situation for almost any project that the more purchasers use a product or service to their reasonable enjoyment and satisfaction, the more attractive such a product or services becomes for other prospective consumers.

However, some federal courts later relaxed this approach exploiting *"de minimis"* efforts of others or the concept of *"undeniably significant"* or *"predominantly"* after *In Re* Forman case. So even if the investor has the power to be involved, the transaction may still be an investment contract if the efforts of others predominate.

"Whether the efforts made by those other than the investor are the undeniable significant ones, those essential managerial efforts which affect the failure or success of the enterprise" (The forman case; SEC v Glenn W turner Enters., 474 F.2 d 476 sec.28 (Feb.1, 1973). "

In Re DAO it was stated based on the facts:

"The Curators exercised significant control over the order and frequency of proposals, and could impose their own subjective criteria for whether the proposal should be whitelisted for a vote by DAO Token holders. DAO Token holders' votes were limited to proposals whitelisted by the Curators, and, although any DAO Token holder could put forth a proposal, each proposal would follow the same protocol, which included vetting and control by the current Curators.

While DAO Token holders could put forth proposals to replace a Curator, such proposals were subject to control by the current Curators, including whitelisting and approval of the new address to which the tokens would be directed for such a proposal. In essence, Curators had the power to determine whether a proposal to remove a Curator was put to a vote."

Then in the DAO case SEC underlines that investors mostly rely on the actions of Slock.it.

"Although DAO Token holders were afforded voting rights, these voting rights were limited. DAO Token holders were substantially reliant on the managerial efforts of Slock.it, its co-founders, and the Curators."

However, we are inclined to believe that BMON Users will rely on the managerial and entrepreneurial efforts of the Project's team only to the extent that the latter will further develop the Platform that would permit all parties of the Platform to communicate and apply all functionality of the System as they deem fit. Besides and as we discussed above all profit derived from the use of the Platform may be obtained only from their own efforts.

Therefore, this prong is more likely not to be satisfied.

IV. Summary and Conclusion

Based on the information and facts described in the previous paragraphs and subject to all assumptions and qualifications, we believe that Tokens are not securities.

The BMON Token definitively satisfies the first prong of the Howey Test, and no one may reasonably conclude that the courts will determine otherwise.

The second prong is more difficult and debatable. However, our analysis has concluded that this element is not satisfied under both theories applied by the federal courts.

The third prong is more likely to be satisfied.

The fourth prongs of the Howey Test is not satisfied.

To conclude, since not all the elements of the Howey Test are met, in our opinion, the BMON Token does not meet the legal definition of a security under United States law.

Nevertheless, it should be noted that the Howey Test has not yet been directly applied by courts to any utility tokens before. Only a U.S. court may definitively determine whether the BMON Token is a security, based in its opinion and regulatory enforcement.

IN THE PROCESS OF PREPARING THIS LEGAL OPINION, WE ANALYZED ONLY THE PROJECT TOKEN NAMED BMON FOR ITS COMPLIANCE WITH THE HOWEY TEST.

WE HAVE NOT ANALYZED OTHER PROJECTS THAT THE FOUNDERS COULD USE IN PERSPECTIVE ON THE PLATFORM. ACCORDINGLY, THIS LEGAL OPINION MAY NOT BE COUNTED AS A PROFESSIONAL ASSESSMENT OF THE LEGISLATION BY THE EXCHANGE OR OTHER TOKENIZATION PLATFORMS.

THE ABOVE ANALYSIS IS BASED ON INFORMATION OBTAINED FROM A REPRESENTATIVE OF THE PROJECT, THE WHITE PAPER OF THE PROJECT AND ITS WEBSITE. THE SEC OR A COURT OF COMPETENT JURISDICTION MAY REACH AN ALTERNATIVE CONCLUSION TO THAT STATED IN THIS LEGAL OPINION LETTER. NO WARRANTIES OR GUARANTEES OF ANY KIND AS TO THE FUTURE TREATMENT OF USERS OR SIMILAR TOKENS ARE BEING MADE HEREIN.

NOTICE TO RESIDENTS OF THE UNITED STATES

IF YOU ARE FROM THE UNITED STATES OF AMERICA, WE HEREBY INFORM YOU THAT TO THE BEST OF OUR KNOWLEDGE, THE OFFER OF SALE OF THE BMON TOKEN DOES NOT REPRESENT THE SALE OF A SECURITY. THEREFORE, THE OFFER OR SALE IS NOT REGISTERED IN ACCORDANCE WITH THE UNITED STATES SECURITY LAWS. IN CASE YOU BELIEVE OTHERWISE, PLEASE CONSULT WITH YOUR LEGAL COUNSEL AND NOTE THAT NO ACTION MAY BE BROUGHT ON THE BASIS OF THIS LEGAL OPINION.

Nikita Tepikin,

Lawyer, LLM, Esq. NY License Attorney

APPENDIX NO. 1

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Appendix 1

ASSUMPTIONS

(a) All documents are authentic, accurate, and complete and all copies submitted to us as certified or reproduced copies conform to the originals and such originals are authentic, accurate, and complete, and no relevant document, information or arrangement has been withheld from us.

(b) All facts, statements, representations, and/or information expressed in the documents and Instructions are and remain true, accurate and complete in all respects and not misleading due to the omission of any material matter, and we express no opinion on all such facts and information (save to the extent of the CMP Enquiry).

(c) All documents remain and will remain in the form reviewed by us, without amendment or supplement (whether in writing or otherwise).

APPENDIX № 2

Legal Kornet

Appendix 2

QUALIFICATIONS

(a) This legal opinion is limited, and relates solely to US Federal security law as at the date of this legal opinion. This legal opinion is confined to matters of US laws and is given on the basis that it will be governed by and construed in accordance with the laws of US. Accordingly, we do not express or imply any opinion whatsoever as to any laws other than the laws of US and we have made no investigation of any other laws which may be relevant to the documents submitted to us.

(b) Our statements on the provisions of Part III of the Securities Exchange Act discussed in this legal opinion have been given on the basis of our interpretation of the relevant provisions, current practice, and the positions expressed by the documents, and accordingly, where we provide a statement in this legal opinion, we are expressing our view but this does not guarantee that a court or any other regulatory authority of US would necessarily come to the same view.

(c) This legal opinion is also given on the basis that we undertake no responsibility and are under no obligation to advise you of any other matters, including any matters in relation to any additional features of the Tokens that may be introduced in respect of the Tokens that are not set out in the documents and the instructions.

(d) This legal opinion is addressed to, and for the sole benefit of, the company, and except with our prior written permission, may not be transmitted or disclosed to or used or relied upon by any other person for any purpose or filed with any governmental agency or other person (other than pursuant to an order of a court of US).

APPENDIX №3

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BINAMON

A COMPLETE METAVERSE OF DIGITAL MONSTERS

ON BINANCE SMART CHAIN

ABSTRACT

Binamon is a complete metaverse of Digital Monsters that live on the Binance Smart Chain (BSC).

Collectible Binamons

Battle Mode

Multiplayer Game

Staking Rewards

CURRENT MARKET

TRADITIONAL COLLECTIBLE CARD GAMES (CCG)

- Need distribution
- Have high production costs
- Have no movement
- Fast deterioration
- Easily counterfeited

EXISTING DIGITAL COLLECTIBLE GAMES

- Don´t have a well-defined aesthetic
- Most of them lack playability
- Mainly focus on the rarity of collectibles, without focusing in the gameplay
- High transaction fees as most of them are built on Ethereum
- Do not integrate all possible forms of gameplay, rather focus on one type of product.
- Do not develop a solid virtual economy

OWN VISION

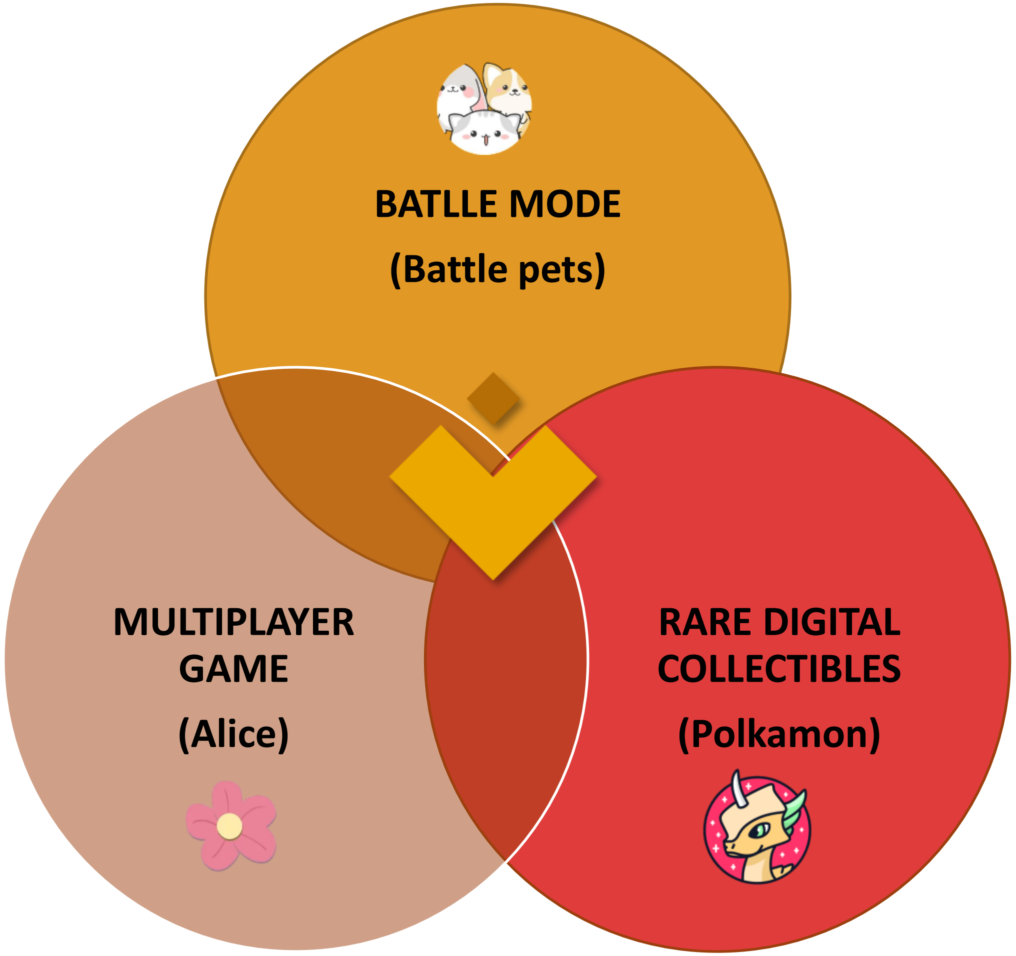
Our vision is to create a complete metaverse of digital monsters, which allows millions of people to join the NFT & blockchain-based gaming world in an easy, creative and fun way.

To achieve this, we will create the following solutions:

- Ultra-Rare Digital Binamons
- Virtual Economy
- Digital Collectibles
- Battle Mode
- Multiplayer Game
- Staking Rewards

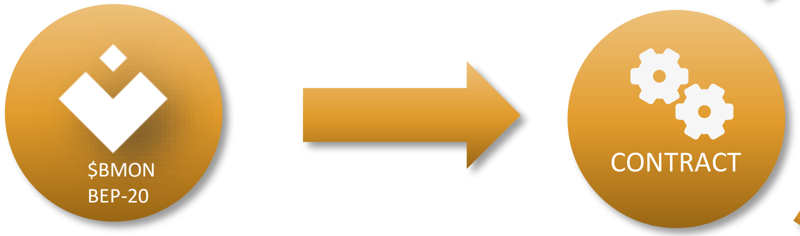
OPPORTUNITY

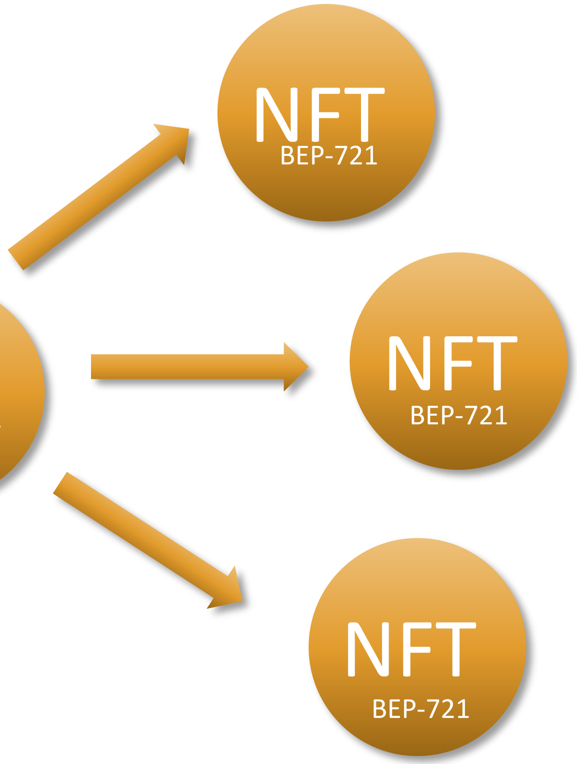
Binamon will be the first ecosystem to integrate the best features of the gaming and digital collectibles world, turning Binamon into the first of its kind metaverse of digital monsters.



HOW IT WORKS

Through a smart contract called Booster, the NFTs will be minted (BEP-721) , using the $BMON token (BEP-20).





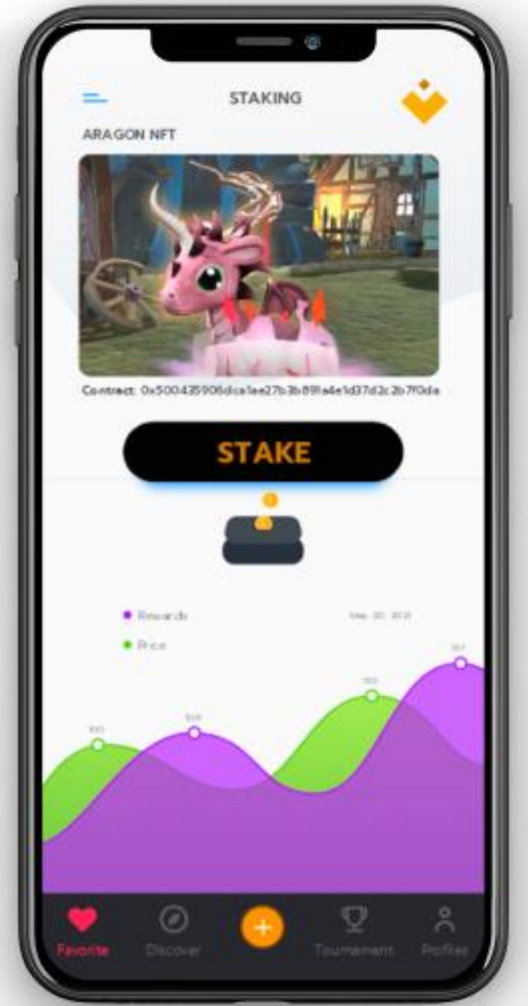
The strength and powers of the NFTs are created randomly following probability calculations.
Then the smart contract mints 3 different Binamons with unique features and powers.

BOOSTER SMART CONTRACT

STAKING

Earn passive income: Stake your Binamons to earn $BMON tokens.

Higher rewards with rare Binamons: the ultra-rare Binamons will earn the best staking rewards.



ECONOMIC MODEL

The Binamons have the following characteristics:
Class, Attack, Hornpower (Resistance) and Element.

Each characteristic provides a greater strength and performance to the Binamons during the game and battles. These characteristics also increase the intrinsic value and market price of the digital monsters.

There is an algorithmic cost associated with the generation of each Binamon. This cost depends on the difficulty to generate the characteristics of each Binamon, and the amount of $BMON tokens spent to generate it.

ECONOMIC MODEL

The algorithmic cost of the most powerful Binamon, taking into consideration the price of the $BMON token at the time of the public sale, is greater than $1,000,000 USD.

$1,000,000 USD

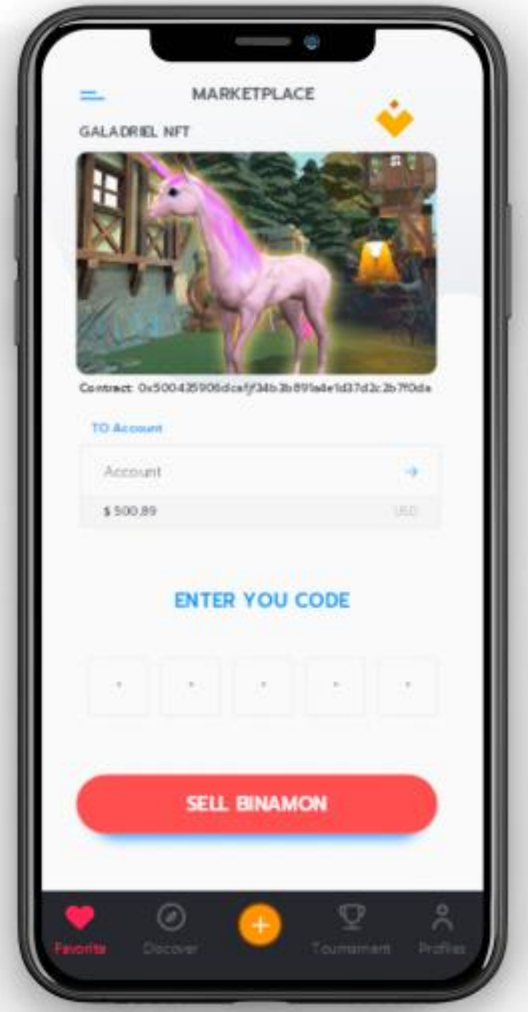
ALGORITHMIC COST

MOBILE APP

Wallet: In addition to holding and showcasing the collections, users will be able to **buy & sell** their Binamons through the mobile app.

P2P Exchange: You can easily trade Binamons with other community members via the mobile app.

Monitor: You can also carry out operations such as checking your balance and staking rewards.

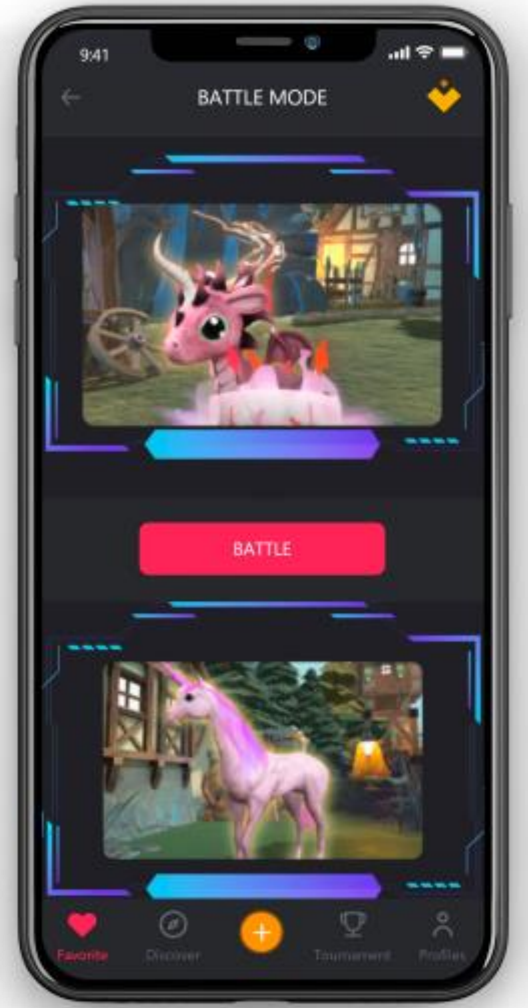


BATLLE MODE

Battle to earn: With **the battle mode**, users will be able to fight each other by wagering $BMON tokens. **The winner will take the prize.**

Burn mechanism: A small % **will be burned**. Battles will be matched between Binamons of the same class. **The fight** will be resolved by **smart contract**.

Good incentives: The **most powerful Binamon** will have a better chance at winning, but the weakest one will get a **greater reward**.



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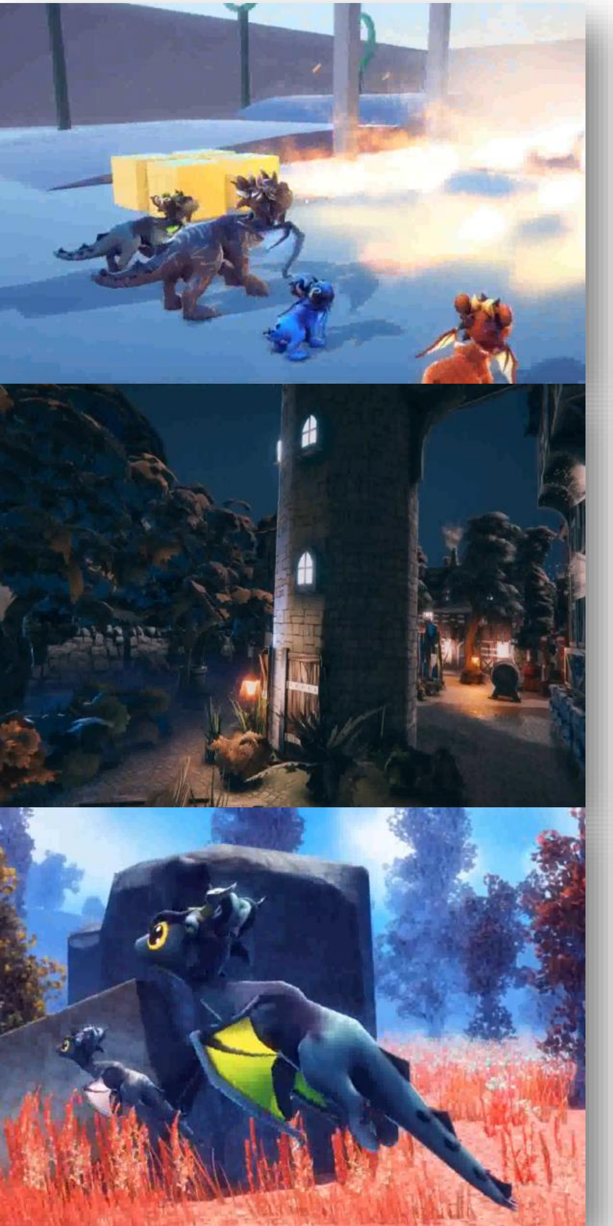
BINAMON
ADVENTURE AND MULTIPLAYER GAME
UNREAL

MULTIPLAYER GAME



Powered by $BMON: The Binamon game, is an adventure multiplayer game, whose economy will be powered by the $BMON token.

In-Game Assets: Players will be able to create assets and sell them on the marketplace. Assets will have the ability to enhance the power of the Binamons.

Trading Zones: There will be in-game trading zones for players and content creators to buy and sell assets .

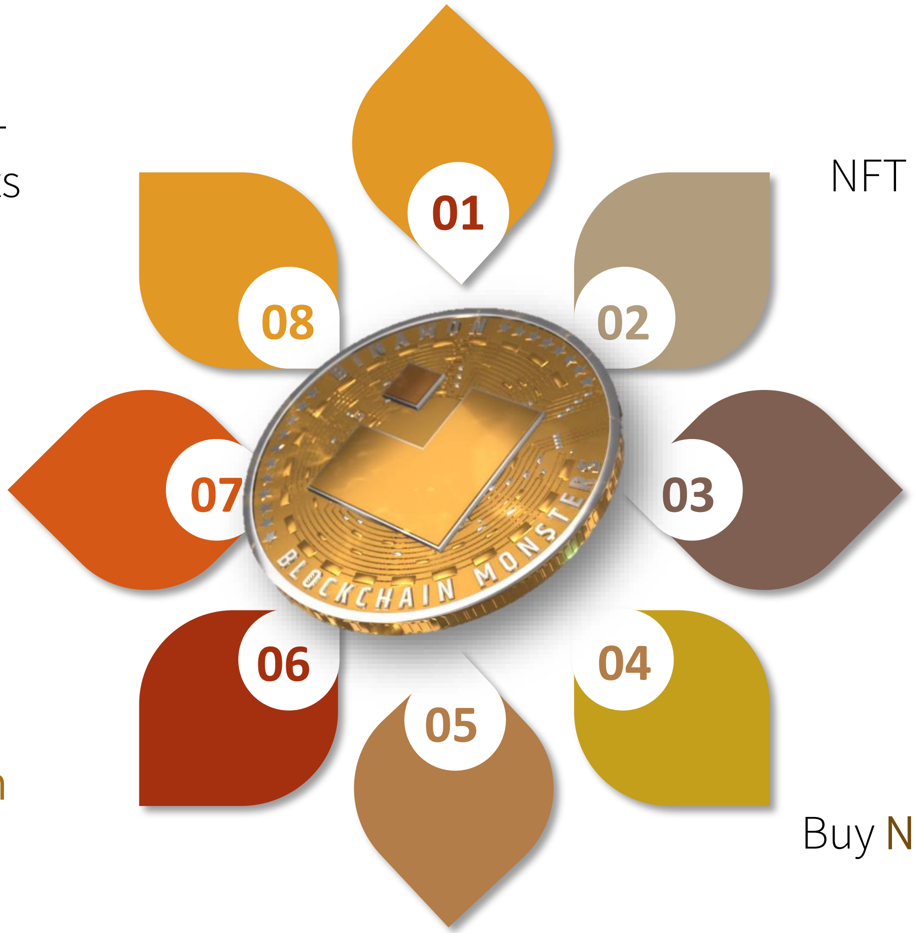
Technology: The chosen technology is Unreal Engine.

BMON TOKEN UTILITY

Mint new Binamons

Buy/Sell in-game assets

NFT Staking



- Buy products in the BINAMON online store.

Community Governance

Battle to earn

Buy NFT in its physical variant

Entry fee and rewards in tournaments

COMMUNITY GOVERNANCE

$BMON holders will be able to vote on proposals relating to the Binamon ecosystem:

- Choose new NFT designs from community artists.
- Vote for new functionalities for the video game.
- Vote to solve important issues in the BINAMON metaverse.

THE $BMON MERCH STORE

250

BMON PAY

199

1499

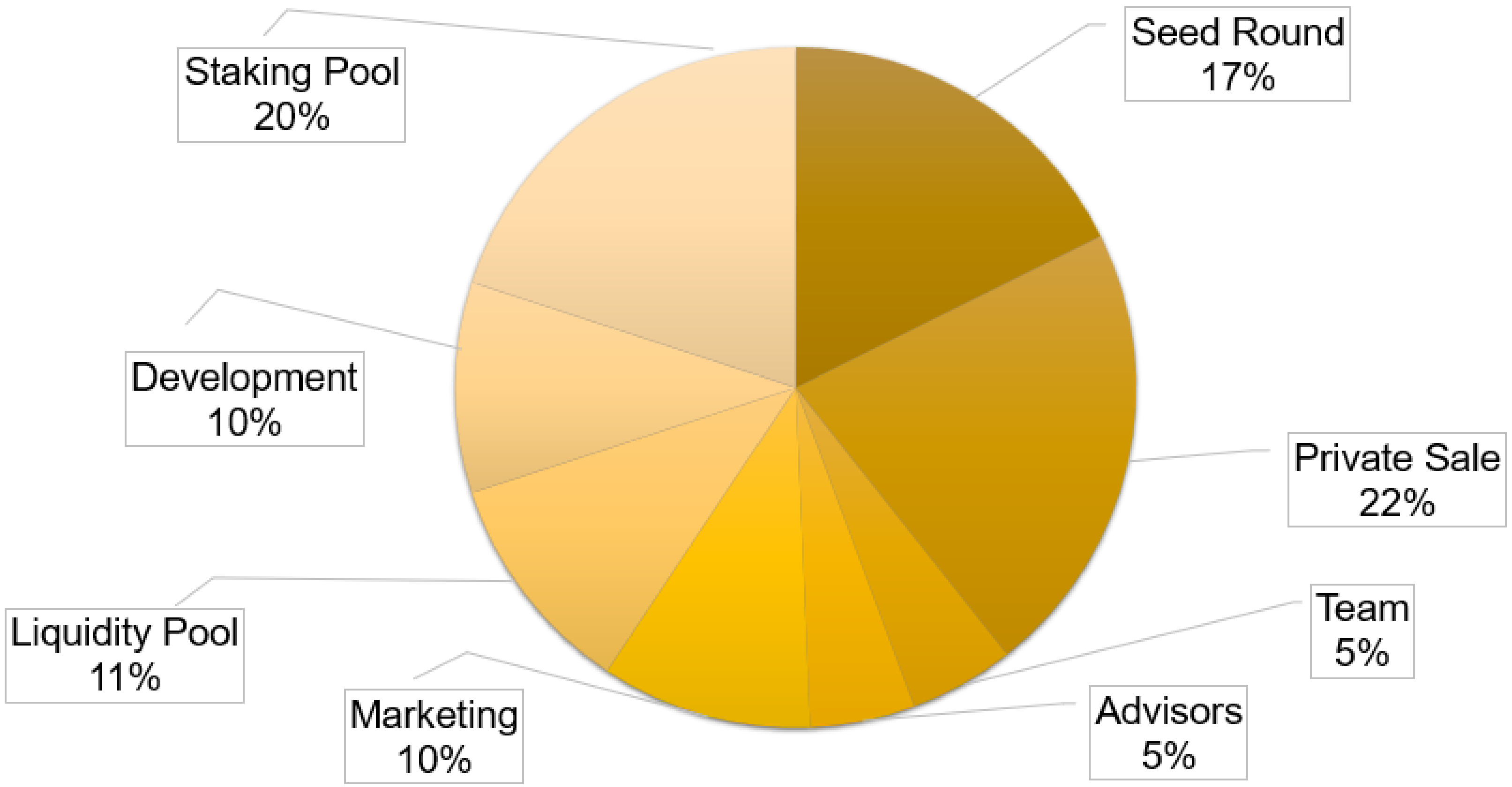
145

399

PHYSICAL BINAMON NFT

Users will be able to **create and receive** a physical version of their Binamons at home. For this, they must use the **smart contract** created for this purpose, prove **ownership** of the NFT, and **pay for it with the $BMON token**.

TOKEN DISTRIBUTION



TOKENOMICS

Summary

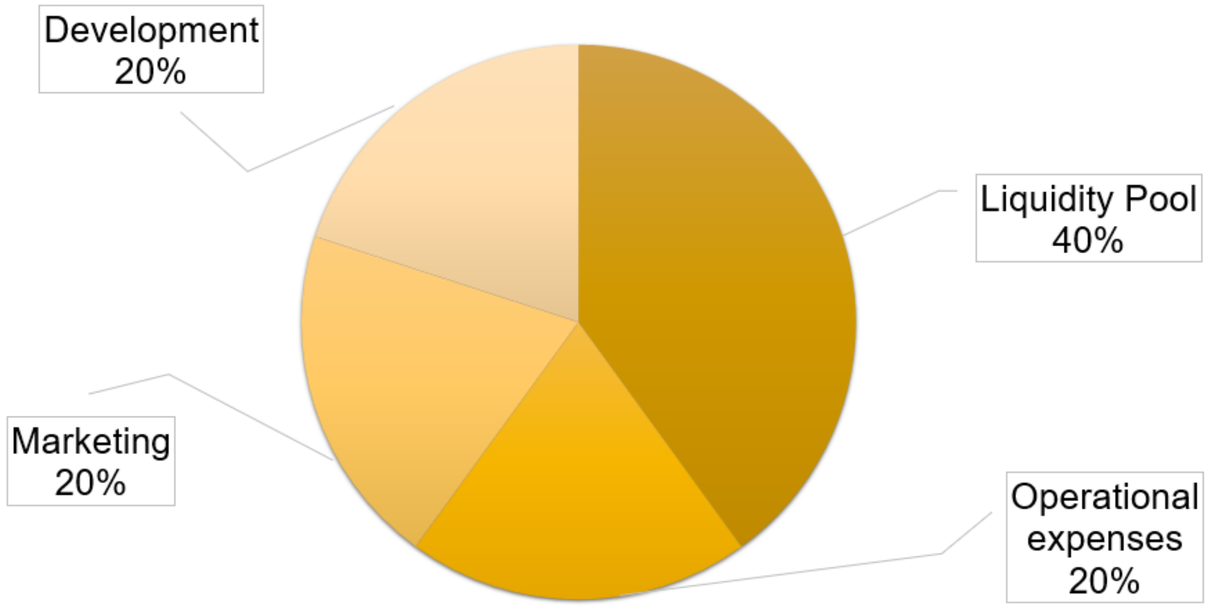
Token symbol	BMON
Total supply	300M
Hardcap	4,000 BNB
Seed Round	1,500 BNB
Pre-Sale Round	2,500 BNB
Initial market cap	7,500 BNB
Initial circulation supply	150M
Total diluted market cap	15,000 BNB

Token release schedule

Seed	100% at listing
Private Sale	100% at listing
Team	vested monthly for 24 months
Advisors	vested monthly for 24 months
Marketing	vested monthly for 12 months
Liquidity Pool	100% at listing
Development	vested monthly for 36 months
Staking Pool	vested monthly for 6 months

TOKENOMICS

USE OF FUNDS



Round	Token Price	Raised	Date	Status
Seed Round	0.0000283 BNB	1,500 BNB	Saturday 12 of June 2021 - 18:00 UTC	Preparing
Pre-sale	0.00003846 BNB	2,500 BNB	Monday 14 of June 2021 - 15:00 UTC	Preparing
Listing	0.00005 BNB	40% of Raised to LP. Locked 1 year.	When finished of the pre-sale.	Preparing

DEFLATIONARY MECHANISM

100% of the tokens used through the Booster Smart Contract will be burned.

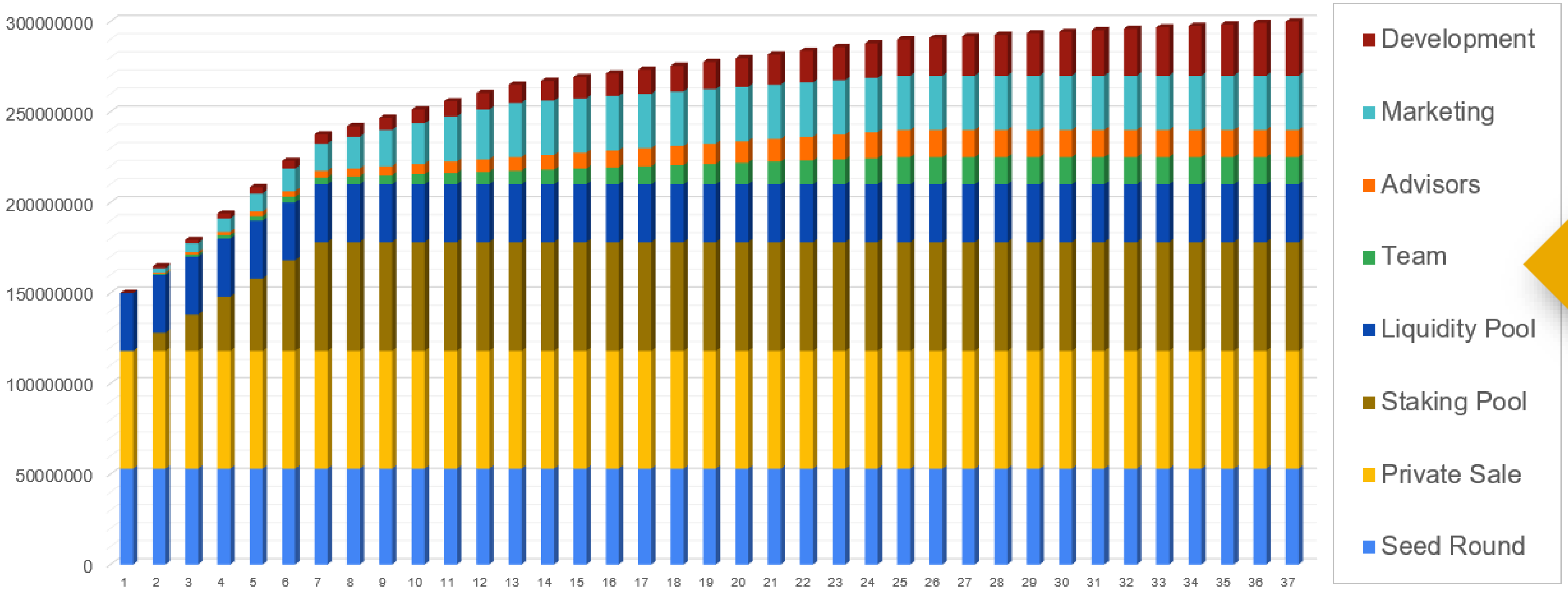
0.1% of the tokens used during the battles mode will be burned.

10% of the tokens collected in tournaments will be burned, the rest will go to the winners.

100% of the fees (0.1%) collected for transactions relating the multiplayer game will be burned.

There will be a lottery system, where Binamons holders can participate to receive special upgrades for ther digital monsters. Certain amount of these tokens will be burned.

3 Years Token Release Schedule



ACHIEVEMENETS SINCE LAUNCH (8 days)

125.000 Binamon NFT minted

23M BMON burned on Booster Contract = 18% of circulating supply.

1# NFT ERC-721 Token on BSC.
BMONC: Binamon NFT Collection.
Check BSC scan, top ERC-721

6.500 Telegram users. 16K followers Twitter.

ACHIEVEMENETS SINCE LAUNCH (8 days)

- Congecko . BSC Verified. CoinMarket Cap soon!
- Ranking System

https://www.investing.com/news/cryptocurrency-news/binamon-presents-an-elite-gaming-platform-for-collectibles-and-tradeable-nfts-2530788

https://finance.yahoo.com/news/welcome-binamon-gaming-universe-nft-095100327.html

https://www.coinspeaker.com/binamons-monster-metaverse-tops-erc-721-transactions-on-binance-smart-chain/

https://coingape.com/binamon-completed-first-seed-presale-rounds/

https://btcpeers.com/binamons-fast-adoption-sees-over-10-million-bmon-tokens-burnt-for-nfts/

https://www.investing.com/news/cryptocurrency-news/binamons-fast-adoption-sees-over-10-million-bmon-tokens-burnt-for-nfts-2536197

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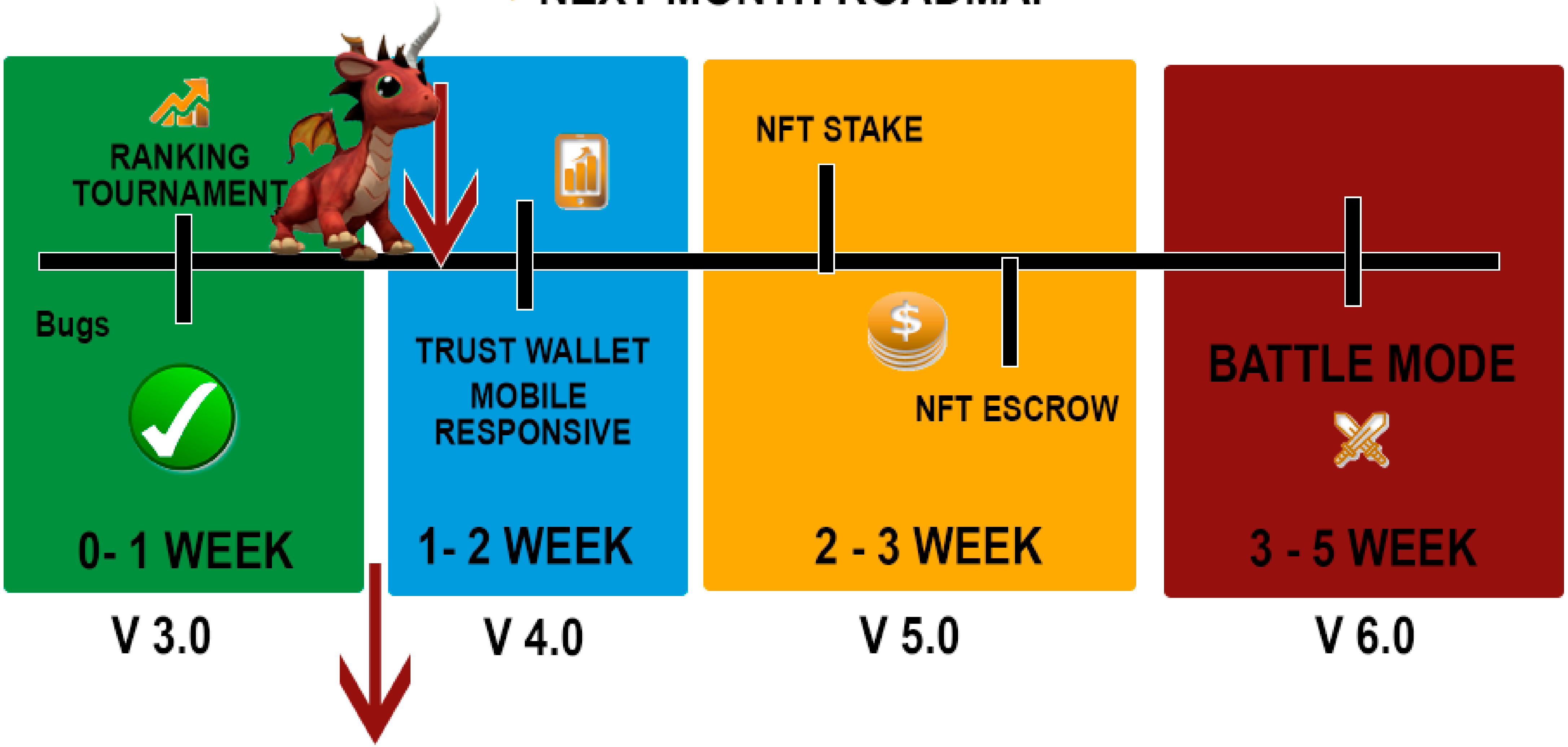
NEXT MONTH ROADMAP



An external consultant was hired to find a solution for the BOT

ROADMAP

Q4 2020
Conceptualization of the project and business model.

Q1 2021
•First NFT creation ✓
•Open Booster Contract creation ✓
•Binamon SONG and MusicWeb Launch ✓

Q2 2021
Community growth
Marketing campaign
Private sale
Public sale

Q3 2021
Staking platform launch
Battle mode launch
Introduction of new Binamons
Focus on user acquisition
Team expansion
Aggressive marketing

Q4 2021
Launch of alpha version of video game
Integration of all services
Mobile app launch

2022
Team expansion
Expansion of the Binamon ecosystem

TEAM & ADVISORS

Dr. Daniel Uriona
CMO & Director

Nicolas E. Veiga Palacios
CEO & Software Architect

Jose Tinoco
Art Director

Prof. Lucas Selci
Finance

Julian Cortez
Marketing

Angel Paez
Operations

Samuel L.
Community

Clara I.
Community

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Accounting

ADVISORS: LEADING WAYS GROUP — SOVEREIGN DYNAMICS

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