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June 7, 2023

ATTORNEY OPINION LETTER TO ADDRESS \$STR UNDER THE HOWEY TEST

COMPANY: Sourceless Inc (Client)
Incorporation
Country: United States of America
State: Delaware

Cert: 4796941 8100
SR# 20210170194
Authentication: 202383594
Date: 01-27-2021
Quality in Business Certificate
Number: 692742720
Date: 12-Feb-2021

Company represented by:

- Alexandru Marius Stratulat (Client)
- Iulian Bondari (Client)

Sourceless-STR token information:

- Type: BEP-20 token, created in the Binance smart chain.
- Ticker: STR
- Total supply: 63,000,000,000 STR
- Contract: 0x30DCf96a8a0c742AA1F534FAC79e99D320c97901
- Permanent on-going supply: 21,000,000,000 STR

Sourceless-STR cryptocurrency is a **token**, being the main currency of Sourceless Blockchain and by which 'lifetime' ownership of a domain (str.domain) is obtained. This Opinion Letter is prepared on request by the team behind the \$STR Token as part of the requirements for pre listing and/or continued listing.

HOWEY TEST

Various pre listing compliance checklists require an opinion on the nature of the Token, generally based on the Howey Test.

The Howey Test refers to the 1946 U.S. Supreme Court case for determining whether a transaction qualifies as an "investment contract," and therefore would be considered a security and subject to disclosure and registration requirements under the Securities Act of 1933 and the Securities Exchange Act of 1934. A Token's analysis under the Howey Test is crucial to judge the nature of the Token at a global level.

Under the Howey Test, an investment contract exists if there is an *"investment of money in a common enterprise with a reasonable expectation of profits to be derived from the efforts of others."* The test applies to any contract, scheme, or transaction. The Howey Test is important for situating blockchain and digital currency projects with investors and project backers. Certain cryptocurrencies and initial coin offerings (ICOs) or IDOs may be found to meet the definition of an "investment contract" under the test.

Historical Setting of the Howey Test

The Howey Test refers to SEC v. W.J. Howey Co., which reached the Supreme Court in 1946. Howey Company sold tracts of citrus groves to buyers in Florida, who would then lease back the land to Howey. Company staff would tend to the groves and sell the fruit on behalf of the owners. Both parties shared in the revenue. Most buyers had no experience in agriculture and were not required to tend to the land themselves.

Howey had failed to register the transactions and the U.S. Securities and Exchange Commission (SEC) intervened. The court's final ruling determined the leaseback arrangements qualified as investment contracts.

In doing so, the Supreme Court established four criteria to determine whether an investment contract exists. An investment contract is:

- An investment of money
- In a common enterprise
- With the expectation of profit
- To be derived from the efforts of others

In the case of Howey, the buyers of the Florida citrus groves saw the transactions as valuable primarily because the labor and expertise were provided by others. Buyers only needed to invest capital to access an income stream. This classified the transaction as an investment contract under what is now known as the Howey Test, and therefore it needed to be registered with the SEC.

Key Takeaways from Howey Test

- The Howey Test determines what qualifies as an "investment contract" and would therefore be subject to U.S. securities laws.
- An investment contract exists if there is an "investment of money in a common enterprise with a reasonable expectation of profits to be derived from the efforts of others."
- The Howey Test is important for situating blockchain and digital currency projects with investors and project backers.
- Certain cryptocurrencies and initial coin offerings (ICOs) or IDOs may be found to meet the definition of an "investment contract" under the Howey Test.

Howey Test and Cryptocurrencies

Digital currencies such as bitcoin are notoriously difficult to categorize. They are decentralized and, as such, elude regulation in many ways.

According to the SEC, the "investment of money" test is easily satisfied with the sale of digital assets because fiat money or other digital assets are being exchanged. Likewise, the "common enterprise" test is also easily met.

In most cases, whether a digital asset qualifies as an investment contract largely turns on whether there is an *"expectation of profit to be derived from the efforts of others."*

For example, the purchasers of a digital asset may be relying on the efforts of others if they depend on the project's backers to develop and maintain the digital network (especially in the early stages), rather than these tasks being performed by a dispersed community of unaffiliated users. The test is also met if the project's backers take steps to support the price of the digital asset, such as by creating scarcity through token burning. Another way the "efforts of others" test is met is if the project's backers continue to act in a managerial role.¹

These are but a handful of examples outlined by the SEC. If the success of a project depends on the ongoing participation of its backers, the purchaser of the associated digital asset is likely relying on the *"efforts of others."*

Definition of Utility Token:

A utility token is a crypto token that serves some use case within a specific ecosystem. These tokens allow users to perform some action on a certain network. A utility token is unique to its ecosystem.

According to the dictionary:

Utility token (noun), a digital token of cryptocurrency that is issued in order to fund development of the cryptocurrency and that can be later used to purchase a good or service offered by the issuer of the cryptocurrency.

Practical features of a token:

- Granting (Bestowing) a right to the owner of the token, such as the right to own or use a product or the right to vote on a topic;
- Exchanging value for services provided, such as storage decentralized storage;
- Equipping (Tolling) users to enter the blockchain infrastructure or use decentralized services;
- Functioning as a way to improve the user experience, by rewarding users with tokens for certain things;
- Acting as a currency for payments on or off the blockchain, as an alternative to traditional financial payments;
- Earnings from certain things can be distributed and shared using tokens utilities.

What Are Utility Tokens Used For?

A utility token can serve just about any purpose a developer wants it to. In general, utility tokens provide access to a specific service or product with a blockchain ecosystem. In other words, you might need a certain utility token to be able to perform actions on an altcoin's network.

While cryptocurrencies are a form of digital money, utility tokens might be better described as pieces of software. They can be used to transfer value, but that's generally not their main purpose. To swap tokens on a decentralized exchange (DEX), or do any number of decentralized finance (DeFi) activities, users may need a specific DEX token. Alternatively, such a token could be used to reward users of the platform or to pay out interest to those who deposit funds that the platform then lends out to borrowers.

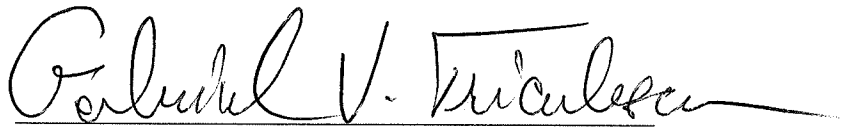
Non-fungible tokens (NFTs) serve as a type of unique utility token, too. An NFT token is a one-of-a-kind digital piece of art, although NFTs can also be applied to things like music.

CONCLUSION

Based on the analysis of the Sourceless Blockchain Whitepaper (v1.3.2) (see attached), it is my informed opinion that \$STR is a Utility Token for having satisfied all the conditions for a Utility Token under the Howey Test.

DISCLAIMERS

- a. Investment into cryptocurrencies is subject to general market and investment risks. As cryptocurrencies are being regulated, my input provided above is only correct as of the date they were first given.
- b. This Opinion Letter is based on the facts as provided to me in \$STR team's documents, emails, verbal communications, messages, website etc.
- c. This Opinion Letter is strictly limited to the matters stated herein, and is not to be read as extending by implication to any other matter or document.
- d. This Opinion Letter is confined to and given on the basis of the laws so stated generally or those of the United States more specifically. Given the international nature of cryptocurrencies, this Opinion Letter as to whether the token is a security or utility is only given on the basis of the laws of the United States or similar laws.
- e. This Opinion Letter is given solely for the benefit of the Client, and, while Client may present it to any other person, corporation, entity or otherwise, such person, corporation, entity or otherwise shall rely on this Opinion Letter at his/her/its own risk.
- g. For purposes of this Opinion Letter, we have not conducted any due diligence or similar investigations as to any factual circumstances. This Opinion Letter was drafted based exclusively following an analysis of the circumstances as set forth herein and does not address matters of fact.
- h. The conclusion expressed in this Opinion Letter may change upon me having sight of any further documentary information which may subsequently be made available to or independently discovered by me, and until I have had sight of such further documentary information, my conclusion remains academic and merely informative.
- i. This Opinion Letter is limited in scope and usage and is restricted only for the specific purpose as stated herein. The users of this Opinion Letter are expected to exercise their own discretion and judgement in interpretation of the Opinion Letter.
- j. The Issuer of this Opinion Letter is in no way responsible for any actions that are taken by others in reliance on this Opinion Letter.



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