

Having considered MeetnGreetMe Whitepaper, the following was established.

MeetnGreetMe is a crowdsourced platform for concierge services and personal assistance for travelers. It is a platform where a traveler can request a service according to the budget, interests and travel goal. Services are provided by qualified and competent local residents. Payment can be made using blockchain technology based on the P2P money transfer system.

Aimed at facilitating communication within MeetnGreetMe platform, performing all necessary actions and pursuing growth of MeetnGreetMe, a special WelcomeCoin cryptocurrency (hereinafter - WEL) has been launched.

In accordance with the Whitepaper, WEL is a utility token issued to provide role-based access to MeetnGreetMe platform, use its advantages, foster its development and advancement, as well as receive rewards for one's efforts and contribution to the community development. Participants who make more efforts will receive more rewards. Possession of the tokens itself does not guarantee participation in the distribution of rewards.

Based on the information provided, WEL tokens will be issued on the territory of Estonia, and it is planned to permit the USA citizens purchase the tokens. Thereby, the analysis of the Whitepaper was carried out mainly by reference to the legislation of these countries.

#### **MeetnGreetMe Whitepaper according to the legislation of Estonia.**

"The Estonian Financial Supervision Authority (EFSA) believes that in terms of the abovementioned proposals and depending on the tokens' structure, tokens can be treated as securities in accordance with the definition set forth in the current Securities Market Act (SMA), as well as in the Law on Obligations Act (LOA). When assessing whether Securities acts are applied, EFSA states that the content should be treated in due form.

Each ICO is unique and must be assessed in accordance with its characteristics. EFSA explains that markers **that grant investors certain rights in the issuer or whose value is tied to future profits or business success are likely to be considered as the securities within the meaning of § 2 SMA**. Thus, the offer of such tokens may be a matter of securities and, depending on its exact nature, is governed by the rules of the public offer, as provided in § 12 of the SMA. In this case, it is necessary to register the corresponding project in EFSA" (EFSA).

Based on the meaning of MeetnGreetMe Whitepaper, WEL does not grant investors the right to regulate the activities of the legal entity that issues tokens. In addition, WEL is only a right to participate in the activities and development of MeetnGreetMe platform.

That being said, based on the Anti Money Laundering and Terrorist Financing Law passed on 25.10.2017, the activity on providing virtual currency exchange services is subject to licensing (Article 70 § 4). At the same time, exchanging one cryptocurrency for another crypto currency or for another fiat currency is subject to licensing.

If exchanging cryptocurrency for MeetnGreetMe WEL currency takes place on the MeetnGreetMe platform, MeetnGreetMe osauhing will need to obtain a virtual value license – the Anti Money Laundering and Terrorist Financing Law defines a virtual currency in this way.

According to the new Act, virtual value is a value represented in digital form which can be traded, stored and transferred and which is accepted as a mean of payment by individuals and legal entities, but which is not a monetary or legal mean of payment of any state.

A notice of the issuance of a license is provided by e-mail. The license is issued in electronic form and is valid for an unlimited period.

### **MeetnGreetMe Whitepaper according to the legislation of the USA**

Within “*Securities and Exchange Commission v. W.J.Howey Co.*” case, the US Supreme Court has developed a test to determine whether the transaction is related to an investment contract. An investment contract is a type of a security.

As far as a Blockchain Token is concerned (hereinafter referred to as BT), the *Howey* test can be represented as three independent parameters. A token is considered as a security if it meets all the three following criteria:

1. There is a fact of *investing*
2. Investing in a *common venture*
3. At the same time, *profits are expected* to come mainly as a result of the *activities of others*.

With regard to BT, the *Howey* test was adapted by Peter van Valkenburgh in the "A Securities Law Framework for Blockchain Tokens" report. The author presents an analysis whether cryptographic tokens with certain characteristics of "non-documentary securities" can be considered as securities according to Section 2 (a) (1) of Securities Act, ed. 1933 (hereinafter referred to as "Securities Act") and Section 3 (a) (10) of Securities Exchange Act, ed. 1934 (hereinafter referred to as "Securities Exchange Act").

Definition of a security: "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, collateral-trust certificate, preorganization certificate or subscription, transferable share, investment contract, voting-trust certificate, certificate of deposit for a security, fractional undivided interest in oil, gas, or other mineral rights, any put, call, straddle, option, or privilege on any security, certificate of deposit, or group or index of securities (including any interest therein or based on the value thereof), or any put, call, straddle, option, or privilege entered into on a national securities exchange relating to foreign currency, or, in general, any 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, or warrant or right to subscribe to or purchase, any of the foregoing." [SECURITIES ACT OF 1933 // as amended through P.L. 112-106, approved April 5, 2012.].

The author defines two types of BT:

- I. A BT with one or more of the following rights likely should not meet the definition of security (non-security Blockchain Token);
  1. Rights to program, develop or create features for the system or to "mine" things that are embedded in the system;
  - 2. Rights to access or license the system;**
  3. Rights to charge a toll for such access or license;
  - 4. Rights to contribute labor or effort to the system;**
  - 5. Rights to use the system and its outputs;**
  - 6. Rights to sell the products of the system; and**
  - 7. Rights to vote on additions to or deletions from the system in terms of features and functionality**

Analyzing MeetnGreetMe Whitepaper, holders of WEL are granted with the following rights:

1. The right to use the platform and participate in its development, as well as the right to receive rewards for the efforts.
2. The right to participate in community events.
3. The right to receive discounts for MeetnGreetMe services and partner services.
4. The right to perform certain roles (MeetnGreeter, curator involved in business development) and receive rewards.

Thus, making an analysis according to this test, we believe that WEL tokens are not securities.

II. BT with one or more of the following investment interests likely should constitute a security Blockchain Token:

1. Ownership interest in a legal entity, including a general partnership;
2. Equity interest;
3. Share of profits and/or losses, or assets and/or liabilities;
4. Status as a creditor or lender;
5. Claim in bankruptcy as equity interest holder or creditor;
6. Holder of a repayment obligation from the system or the legal entity issuer of the BT; and
7. A feature allowing the holder to convert a non-security Blockchain Token into a Blockchain Token or instrument with one or more investment interests, or granting the holder an option to purchase one or more investment interests.

Following this line of reasoning, the rights specified in the Whitepaper and enshrined in WEL, namely: the right to use the platform, getting rewards for the efforts, the right to participate in community events, the right to receive discounts, and the right to perform certain roles do not provide for the transfer of rights indicated in the test.

### **Analysis on the basis of the *Howey* test**

“Securities and Exchange Commission v. W. J. Howey Co.,” (SEC v. Howey Co.), 328 U.S. 293 (1946) was the first test case for determining whether a certain instrument falls within the definition of "securities". In 2004, the Supreme Court confirmed the *Howey* analysis again in “Securities and Exchange Commission v. Edwards” (SEC v. Edwards), 540 U.S. 389 (2004).

*Howey* pays special attention to the term "investment contract" as part of the definition of "securities" emphasizing that it was used to classify those instruments that are "inconsistent" and can be classified as "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."

Based on how judicial practice understands "investment contract, BT is more likely to be analyzed as investment contracts. However, it should be taken into account that not every treaty or agreement is an "investment contract". For this purpose, the US Supreme Court has developed a four-step test also known as the *Howey* Test. On the basis of the definition given by the court in the case of *Howey*, the treaty will be considered as the securities if:

- an investment of money;
- in a common enterprise;

- with an expectation of profits;
- solely from the efforts of others (e.g., a promoter or third party) "regardless of whether the shares in the enterprise are evidenced by formal certificates or by nominal interest in the physical assets used by the enterprise.". *Howey*, 328 U.S. at 298-99. In order to be considered a security, all four factors must be met.

1. Given the broad definition of a money investment and the fact that non-security BT will be distributed through a sale by the issuer to the buyers with the price set per token, we conclude that this factor should be satisfied. We reach this conclusion notwithstanding the fact that there may be a cap on the total amount raised and purchased.

According to the information provided, WEL tokens can be purchased for ETH with the exchange rate 1 WEL = 0.0004 ETH. Thus you can see the investment of money and, consequently, the WEL token can be considered as an investment in accordance with the test.

2. *A common enterprise.* Different circuits use different tests to analyze whether a common enterprise exists. Three approaches predominate: (a) horizontal; (b) narrow vertical and (c) broad vertical. We define each and then discuss below.

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

b. The narrow vertical approach looks to whether the profits of an investor are tied to a promoter (imposition of profit limitations on investors through requiring promoter to receive excess return rate tied promoter's fortunes to investors).

c. The broad vertical approach considers whether the success of the investor depends on the promoter's expertise. If there is such reliance, then a common enterprise will be deemed to exist. (promoter's recommendations regarding certain futures contracts demonstrated investor reliance on promoter's expertise).

MeetnGreetMe is a platform that enables users to collaborate on mutually beneficial terms. In addition, it is indicated that the possession of the tokens itself does not guarantee participation in the distribution of rewards so that every person who acquired WEL must make certain actions exactly in the development of the platform. As a result, according to the *Howey* test, we believe that MeetnGreetMe will not be a common venture.

At the same time, it should be noted that if **the issuer of a specific BT uses the funds received as a result of the release to create, support or maintain the system, the court may decide that in this case it is a question of creating a common venture.** This approach can also be used in the case of pre-sale before the system is started.

MeetnGreetMe platform is an active platform with active users. At the same time, according to MeetnGreetMe Whitepaper, 30% of the funds raised will be used to further develop the platform and introduce new functionality (user-friendly interface, planning tools, rating system, quality system, incentive system, user roles).

**So, there is a possibility to assess this point as a common venture.**

3. *Expectation of Profits.* Under this element, profit refers to the type of return or income an investor seeks on their investment (rather than the profits that the system or issuer might earn). Thus, for purposes of BT, this could refer to any type of return or income earned as a result of being a BT holder, which would be narrowed to the extent it is derived passively, i.e., from the efforts of others.

4. *Solely from the Efforts of Others.* Typically, courts have been flexible with the word “solely,” such that, in addition to the literal meaning, it also will include significant or essential managerial or other efforts necessary to the success of the investment.

As it has been already mentioned, MeetnGreetMe platform participants do not earn any income from passive possession of WEL tokens. Their income is directly proportional to their contribution to the platform.

According to MeetnGreetMe Whitepaper, contribution to the platform means such actions as participation in content creation, distribution of information about the platform, inviting new users, participating in training of new users and supervising the platform, and other actions aimed at developing the platform.

As a result, summarizing the above, we make the conclusion that WEL token cannot be security.

The conclusion set forth in the Opinion is not aimed at and can not prohibit anyone from doing or refraining from doing any actions, but only provides with recommendations and assessing of the risks in a particular situation from the point of view of legislation and its interpretation, and is exclusively the opinion of lawyers.

Attorney at law B.V. Lev

