



LEGAL OPINION : PRIMESTONE

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This document is prepared by the opinion giving entity based on the information given to us by the PrimeStone development team members, and available on their website <https://primestone.global/>.

All materials in this document are prepared in order to legally assess whether the PrimeStone Coin (PSC) can be considered as “security” as defined by the US Securities and Exchange Commission (SEC) and legal regulations concerning securities in Poland.

Here we have made every possible effort to analyse the legal aspects of PSC which would, in our opinion, fall within the category “Securities” and hence coming under the purview of SEC. However, if they do not, PSC would not be a security making it outside of the purview of SEC.

The final decision determining the nature of PSC remains to be the responsibility of the PrimeStone Project Manager. Our role, as an evaluating entity, is to express an opinion on the basis of the in-depth analysis. The opinion hereby expressed is based on subjective interpretation of the factors which are important to decide the nature of PSC as securities.

The in-depth analysis conducted by the opinion giving entity has disclosed that the PrimeStone Coin (PSC) does not meet the criteria to be classified as securities, and in consequence is not subject to the US Securities and Exchange Commission (SEC) and legal regulations concerning securities in Poland.

Only the PrimeStone development team can download, print and use this document.

As more fully set forth in the component parts of this document, the document does not constitute legal advice and should not be relied on by any person.

PROJECT OVERVIEW

The PrimeStone Coin (PSC) is a blockchain powered medium of exchange. PSC – the PoW/MN currency based on X11 algorithm – was developed at the beginning of 2017. The initial coins were mined by users, then PSC could be mined, and also purchased on cryptocurrency exchanges. Currently, after PSC SWAP 1:1, PSC is using Quark protocol and applies the Proof-of-Stake (PoS) consensus. At present, new coins can be purchased on crypto exchanges, or gained by staking and MasterNode rewards. PSC is not available in exchange for FIAT currencies but in return for the limited number of alternate cryptocurrencies.

PrimeStone is neither an ICO-driven project nor a company but an ecosystem of participants that hold PSC. PSC is a unit of exchange within an ecosystem, where the participants are the users and holders of the said means of exchange.

PSC is a medium of exchange of commodities in return for PSC based on the faith the participating community entrust in the means of exchange. Therefore, there is no inherent intrinsic value of the medium of exchange and the value garnered is via the utility it provides to transactions, facilitating such exchange. The PrimeStone Coins were not air dropped and it was not an ICO or a public offering for a price, therefore, it is a completely decentralized medium of exchange. As PSC is not issued in exchange of Fiat hence it is in no way a transaction involving money and consequently are not covered under the mandate of 'KYC'(Know Your Client).

The PrimeStone Coins (PSC) are neither securities nor an offering and they are available to the world at large to adopt and enrich the ecosystem. The PrimeStone Development Team or the ecosystem does not endorse the usage of the medium of exchange for activities banished or declared illegal and/or as proceeds of crime. The PSC holders agree on the terms and conditions of use of the PSC as a medium of exchange for goods and services.

PSC is based on the Quark protocol and is available for exchange against other cryptocurrencies on several cryptocurrency exchanges. The holding of PSC in no way entitles the holder to any incentives, profit or dividend as it is a mere medium of exchange, and neither a share nor stock. This assessment of the PrimeStone Coin (PSC) is not a piece of financial advice. The opinion is based on the facts and prevailing at that time circumstances and disclosures. PSC is exempted from any financial license under the SEC laws as it does not qualify as securities.

After having conducted the in-depth analysis, in our opinion, the PrimeStone Coin (PSC) does not fall into the category of securities as envisaged in the SEC v. Howey, 328 U.S. 293 (1946).

- The first condition

PSC on the criteria that there should be 'an investment in money' is negated as it has never been issued in an ICO, offering or for sale.

- The second condition

PSC on the criteria that 'there should be a common enterprise' is answered in the negative as it is not used as a share or stock in an enterprise, but is a mere medium of exchange.

- The third condition

PSC on the criteria with 'expectations of profit solely from the efforts of others' is negative as there is no incentive to hold PSC and is a mere medium of exchange.

Currently, the PrimeStone Coin (PSC) is not a prototype and are used in a main net as a medium of exchange, and – it is probable that – it will be further improved. The mere trading on exchanges is not sufficient to qualify the PrimeStone Coins as securities under the Howey Test.

JURISDICTION

The PrimeStone Coins are not subject to any securities law of the United States and the Republic of Poland. However, they are assessed as intangible assets. Therefore, it does not draw any specific jurisdiction for the purpose of regulating it more so, because it is completely decentralized. The participants are subject to the terms and conditions signed at the time of signing up for participation in the ecosystem which includes both the PSC holders and merchants offering their goods and services in exchange of PSC. The participant agrees to not indulge in any activity of money laundering or terrorist funding within and outside the PrimeStone ecosystem.

A Securities Law Framework for Digital Currencies and Blockchain Tokens

To estimate how likely a particular blockchain token is to be a security under US federal securities laws and SEC rules, as well as legal regulations concerning securities in Poland

Element 1: Investment of Money

Is there an investment of money?			
Characteristic	Explanation	Points	YES / NO
There has not been any crowdsale or airdrop. New coins are earned through mining	PSC is acquired when mined by ecosystem participants.	0	NO
Coins are sold for value (crowdsale)	N/A	100	NO

Element 2: Common Enterprise

What is the timing of the sale?			
Characteristic	Explanation	Points	YES / NO
Pre-deployment	N/A	70	NO
The protocol is operational on a test network	N/A	60	NO

Live network is operational	Live network is operational and all network participants can join	50	YES
What do token holders have to do in order to get economic benefits from the network?			
Characteristic	Explanation	Points	YES / NO
All token holders will always receive the same returns	PSC is not a public offering or investment in stocks therefore no returns or dividends in any form	25	NO
There is a possibility of varying returns between token holders, based on their participation or use of the network	The tokens are not a public offering or investment in stocks therefore no returns or dividends in any form	-20	NO

Element 3: Expectation of Profit

What function does the token have?			
Characteristic	Explanation	Points	YES / NO
Ownership or equity interest in a legal entity, including a general partnership	The tokens are not a public offering or investment in stocks, shares or common enterprise therefore no returns or dividends in any form	100	NO
Entitlement to a share of profits and/or losses, or assets and/or liabilities		100	NO
Gives holder status as a creditor or lender		100	NO
A claim in bankruptcy as equity interest holder or creditor		100	NO
A right to repayment of purchase price and/or payment of interest		100	NO
No other function than mere existence	The token is fully functional after the development - the protocol is live. It serves as a unit of exchange of goods and services within the ecosystem	100	NO
Specific functionality that is only available to token holders	Its an Quark Blockchain protocol	0	YES
Does the holder rely on manual, off-blockchain action to realize the benefit of the token?			

Characteristic	Explanation	Points	YES / NO
Manual action is required outside of the network (e.g. off-blockchain) in order for the holder to get the benefit of the token	PSC is not a public offering or investment in stocks therefore no returns or dividends in anyform. It's a token that provides medium of exchange no inherent value and hence no benefit of holding over	80	NO
All functionality is inherent in the token and occurs programmatically	The tokens are functional in nature and it is via a predetermined programme	0	NO
What is the timing of the sale?			
Characteristic	Explanation	Points	YES / NO
Pre-deployment	PSC was mined by users, was never sold and the network was a test a network	20	NO
The protocol is operational on a test network	PSC was mined by users, was never sold and the network was a test a network	10	NO
Live network is operational	PSC is mined by users in the main net, has never been sold	0	NO
Can the token holders exercise real and significant control via voting?			
Characteristic	Explanation	Points	YES / NO
Token holders as a whole are able to control the development team's access to funds	N/A	-20	NO
Token holders as a whole are able to vote on significant decisions for the protocol	Participative voting though not a formal voting	-10	YES
How is the token sale marketed?			
Characteristic	Explanation	Points	YES / NO
Marketed as an 'Initial Coin Offering' or similar	Means of exchange were mined by users, were never airdropped or sold.	50	NO
Marketed as a token sale	Means of exchange were mined by users, were never airdropped or sold, but promoted by showcasing the utility it can add.	0	NO
There is no economic return possible from using the network	There are economic returns possible but not inherently from the medium of exchange, but the business transactions in the ecosystem that use it.	-100	YES

RESULTS

TOTAL POINTS	How likely is the element to be satisfied?	PSC RESULTS	
0 or less	Very unlikely	Total for Element 1	0
1 - 33	Unlikely	Total for Element 2	50
34 - 66	50/50	Total for Element 3	-110
67 - 99	Likely		
100 or more	Very likely	Overall Risk Score	0

PSC will only be a security if it satisfies all three elements. The higher the point score for each element, the more likely the element is to be satisfied. For many blockchain tokens, the first two elements of the Howey test are likely to be met. The third element has the most variables and the most different outcomes depending on the characteristics of the particular token.

SIGNIFICANT NOTES

Please remember that this methodology produces nothing more than an estimate. The Overall Risk Score and the categories of likelihood are a guide only. The Howey test has not yet been directly applied by the courts to any digital currency or blockchain token. The Howey test as applied by the courts does not involve any points-based calculation. The points system is intended as a guide - to highlight the characteristics of a token which are relevant to the securities law analysis.

You should not rely on this Framework as legal advice. It is designed for general informational purposes only, as a guide to certain of the conceptual considerations associated with the narrow issues it addresses. You should seek advice from your own counsel, who is familiar with the particular facts and circumstances of what you intend and can give you tailored advice. This Framework is provided "as is" with no representations, warranties or obligations to update, although we reserve the right to modify or change this Framework from time to time. No attorney-client relationship or privilege is created.