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Legal status of VLM Token.

This report constitutes a legal analysis as to whether the VLM Tokens would likely constitute securities pursuant to relevant U.S. securities laws for purposes of Section 2(a)(1) of the Securities Act of 1933 and Section 3(a)(10) of the Securities Exchange Act of 1934, including Howey Test, which is used in the United States to recognize a particular instrument as a security and other analytical frameworks.

In order to analyze VLM Token under the federal securities laws, we should start with the definition of "security" contained in Section 2(a)(1) of the Securities Act of 1933: "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, or warrant or right to subscribe to or purchase, any of the foregoing" .

Based on the above mentioned definition, my view of relevant case law, understanding of the facts and VLM Platform as well as VLM Token structure, I conclude that VLM Token have not deemed to meet the definition of security and, accordingly, the federal securities laws will not apply to the initial distribution and subsequent trading of VLM Token.

Background

To begin, it is important to first lay the grounds by way of introducing the different cryptocurrencies that exist and how the cryptocurrency industry has evolved over time.

Classic cryptocurrency, that is Bitcoin, is a cryptocurrency in its traditional sense: it has characteristics customary to usual currencies because Bitcoin acts as an account and payment method within the payment system, a store of value and a medium of exchange. It is, however, digital and virtual in nature by being encrypted. The key innovative feature is that it is the first decentralized currency and the payment system at the same time, powered by an open public ledger technology that records and validates all transactions, within the Bitcoin's the Blockchain.



Other cryptocurrencies came into existence and those include tokens and so-called alternative cryptocurrency coins (hereinafter - 'altcoins'). the latter is a cryptocurrency that aims to be an alternative to Bitcoin, usually built on its open-sourced original protocol but differ in underlying codes and, thus, in key features.

Token is usually a representation of a value, which is fungible and tradeable, so why it can be anything from commodities to loyalty points, or representation of a utility, that usually resides on top of the blockchain.

The key difference between cryptocurrencies and tokens is that with the latter there is no need to create or modify any underlying code, since tokens can be created on top of the platform (e.g. Ethereum) powered by smart contracts.

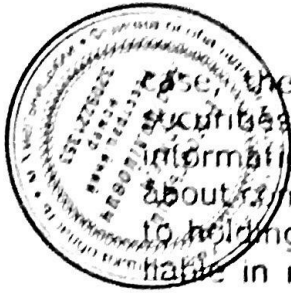
Another crucial differentiating factor between tokens and cryptocurrencies that is worth noting at the outset, is that tokens emission is centralized whilst cryptocurrencies are decentralized in nature and are the consequence of mining, hence, they cannot be influenced in any way and are only subject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

VLM Token Legal Design

Based on the above, VLM Token falls under the definition of utility token because it can be useful only within the platform (VOLUM Platform), created by the VOLUM holding company formed by Bengala Technologies, LLC and International Spirit and Beverage Group and VLM Token can't exist or circulate in any other platforms. The existence of this good maintains by smart contract developed by the Company and Ethereum blockchain, developed by third parties. In summary, VLM Token is a digital product, utility token, and it does not have any value outside VOLUM Platform. The utility of such good is closely linked only with VOLUM Platform.

US Securities Laws

U.S. Securities and Exchange Commission ("SEC") has a three-part mission: protection of investors, maintenance of fair, orderly and efficient markets and facilitation of capital formation. In order to implement its mission SEC has quite a wide mandate on reviews and enforcement actions it may undertake in upholding it's mission. On 25 July 2017, it was announced that SEC issues investigative report concluding that DAO tokens were, in fact, securities. The idea behind DAO was to create a decentralized autonomous venture fund. The SEC came to a conclusion that DAO tokens were securities that are regulated as a matter of the U.S. securities regulation because the enterprise was essentially a pooled investment vehicle. The reason being the nature of the DAO token that gave investors a right to vote on the projects that should be funded and receive profits from those projects as a return on their investments. It is important to note, that U.S. securities regulation does not regulate the investment instrument as such, but the transactions that relate to it, which is why it is crucial to analyze whether a transaction may involve a security by way of applying the Howey Test, described below. If that is the



case, then the transaction has to be registered subject to the available securities exemption. Registration, in turn, entails disclosure of certain information including description of security being offered and information about company's management. Violation of registration requirements can lead to holding the person, who offers or sale securities without any registration, liable in respect of the person purchasing such security from. The security purchaser may then sue to recover the consideration paid for such security with interest thereon, less the amount of any income received thereon, upon the tender of such security, or for damages if he no longer owns the security (Sec. 12 of Securities Act of 1933 of the USA).

Is VLM Token a Security?

In the context of coins and ICO, the relevant test applied by the U.S. Courts is the Howey Test. It is used to determine whether an instrument qualifies as an 'investment contract' as defined by federal and state securities laws. The seminal Supreme Court case for determining whether an instrument meets the definition of security is SEC v. Howey, 328 U.S. 293 (1946). The Supreme Court has reaffirmed the Howey analysis as recently as 2004. Howey focuses specifically on the term "investment contract" within the definition of security, noting that it has been used to classify those instruments that are of a "more variable character" that may be considered 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." Not every contract or agreement is an "investment contract" and the Supreme Court developed a four-part test to determine whether an agreement constitutes an investment contract and therefore a security. In the case of United Housing Foundation, Inc. v Forman (1975), The U.S. Supreme court summarized the test the following way: "the basic test for distinguishing the transaction from other commercial dealings is whether the scheme involves an investment of money in a common enterprise with profits to come solely from the efforts of others. . . This test, in shorthand form, embodies the essential attributes that run through all of the Court's decisions defining a security. 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. By profits, the Court has meant either capital appreciation resulting from the development of the initial investment, or a participation in earnings resulting from the use of investors' funds. In such cases, the investor is "attracted solely by the prospects of a return" on his investment. By contrast, when a purchaser is motivated by a desire to use or consume the item purchased. - the securities laws do not apply." Based on the above and later cases, that have expanded the term "money" to include investments of assets other than money, I can deduce the following key parts to the Howey test: 1. It is an investment of money or other tangible or definable consideration 2. The investment of money is in a common enterprise 3. There is an expectation of profits from the investment, which comes solely from the efforts of others Applying the test above to VLM Token, I find the following:

1. It is an investment of money or other tangible or definable consideration. On this point, it is crucial to note that VLM Token, being the token which in

turn means that their emission is centralized. Overall, this leads to the conclusion that one can obtain them without investing any money or other tangible or definable consideration. One can purchase VLM Token on exchange, but, being only one of the ways of getting the cryptocurrency, I consider this factor to be only partly satisfied.

2. The investment of money is in a common enterprise. The law on the "common enterprise" element is somewhat unclear and not easily susceptible to analysis. However, there are three approaches to define whether common enterprise exists: 1) 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; 2) under the narrow vertical approach, a common enterprise exists, if the profits of investor are tied to the promoter; 3) under the broad vertical approach, a common enterprise exists, if the success of investor depends on the promoter's expertise. I do not consider this factor to be satisfied, since, although relationship between market-actors is horizontal in nature, there is no "common enterprise" as such; the system created is completely decentralized blockchain based financial system where actors are completely autonomous from one another.

3. There is an expectation of profits from the investment, which comes solely from the efforts of others. In our case as VLM Tokens are used as a token, which can be traded on exchange and that aims to act as part of the global ecosystem of digital assets. It is an autonomous crypto asset, which issued centralized, not only purchased. All this negates the possibility of this factor to be satisfied.

Summary

As I see in our case the only one factor of the Howey test that is partly satisfied, in my opinion, is "the investment of money or other tangible or definable consideration". Other two factors I consider not to be satisfied. For token to be considered a security all three elements have to be present, thus, there is a low risk that the VLM Token will fall under the definition of securities according to the U.S. federal and state laws. I find that VLM Tokens are not securities considering above. Based on the above analysis I find that VLM Token has very low legal risks due to there is no way one can influence the VLM Token price setting apart from general market forces.

