

Criteria for determining the IVC token as a security under US law

Criterion 1: Investing of funds. Was the investment made?

Characteristics	Points	Description	Example	Yes/ No
There was no public sale. Tokens were distributed for free or received through mining	0	Tokens which are not sold for a monetary equivalent are not considered to be money investment	Bitcoin is not sold in a public bidding process, the only way to get a bitcoin token is mining	No
Tokens are sold in a public bidding process	100	Tokens sold in a public bidding process, regardless of currency, are considered to be an investment	Token which is sold for a bitcoin in a public bidding process	Yes

Criterion 2: Joint Venture. When was a token sold?

Characteristics	Points	Description	Example	Yes/ No
Initial stage of development	70	The sale of tokens before the readiness of a source code is likely to be regarded as a joint venture in which incomes arise due to the investments of others	The sale of tokens at the idea stage	No
The protocol works in the test network	60	If there is already a software environment, the risks of acceptance of a joint venture are lower (the closer to launch, the lower the risk)	The sale of tokens at the initial stage of development	No
The protocol works online	50	If the token is already sold after the launch of the software environment, the chances of acceptance by criterion are lower	The sale of tokens after software environment launch	Yes

What do the token owners do to get income?

Characteristics	Points	Description	Example	Yes/ No
All token owners always get the same distributed income	25	When paying equal income to token holders, regardless of their actions, the activity may be considered to be a joint venture	Distribution of a fixed interest on income among token holders	No
The income from the tokens depends on their participation in the project activities	-20	If the income from the tokens depends on the participation of token holders, the chances of acceptance by criterion are reduced	During providing of computing capacities, voting, etc. token holders earn more	Yes

Criterion 3: Waiting for income. Token functions.

Characteristics	Points	Description	Example	Yes/ No
Ownership share of the project	100	If the token gives the right to an interest on income or the right of claim for the obligation, it is most likely to be considered as a security. If one or more characteristics are applicable to a token, then the token will most likely be considered as a security in the US.	The emitter issues tokens for which holders get the right to an interest on or share in the organization	No
Right to receive a part of income	100			No
Gives a token holder the right of the creditor or lender	100			No
The right of claim in the recognition of bankruptcy	100			No
Rights to pay the purchase price or to interest	100			No
No function except the presence of a token.	100	A token that has no function, except its sale, may be considered as an	The emitter issues and sells tokens to invest in the project.	No

		investment by criterion. The only right to vote is not a real function of a token.	However, the project is available without tokens and a token has no real application.	
Special functionality, available only to the token holders.	0	A token that has a special function available only to its holders is less likely to be considered as a security by criterion.	A token is the only way of an access to the project	Yes

When was a token sold?

Characteristics	Points	Description	Example	Yes/ No
Initial stage of development	20	The sale of tokens before the readiness of a source code is likely to be regarded as a joint venture in which incomes arise due to the investments of others	The sale of tokens at the idea stage	No
The protocol works in the test network	10	If there is already a software environment, the risks of acceptance of a joint venture are lower (the closer to launch, the lower the risk)	The sale of tokens at the initial stage of development	No
The protocol works online	0	If the token is already sold after the launch of the software environment, the chances of acceptance by criterion are lower	The sale of tokens after software environment launch	Yes

Can token holders keep real and significant control by voting?

Characteristics	Points	Description	Example	Yes/ No
All token holders can monitor project development together	-20	If an access to the project funds requires a collective approval of the token holders, then these actions are more related to the actions of token holders	Part of the funds may only be available after approval of most of token holders	No
Token holders can vote for significant decisions	-10	If taking of significant decisions requires a collective approval of the token holders, then these actions are more related to the actions of token holders	Changes in the program code can only be made by voting	No

How does the token sale go?

Characteristics	Points	Description	Example	Yes/ No
Is positioned as an ICO or analog	50	Marketing of a token as an investment, the use of investment terminology	Terminology usage – “investors”, etc.	No
Is positioned as the token sale	0	Marketing of the token sale as an access to a software environment		Yes
There is no economic income from using the network	-100	If token holders cannot receive income from tokens, the token is not likely to be considered as an investment	A token is an analog of “thank you”	No

The results. Risk assessment.

Points, total amount	Considering as a security	Result
0	highly unlikely	130 (point amount) / 22 (criterion amount) = 5.9
1-33	<u>unlikely</u>	
34-66	mean probability	
67-99	likely	
100 and more	most likely	

Thus, according to the result of the test, "5.9", it is very unlikely that IVC token will be considered as a security under US law.