



May 15<sup>th</sup>, 2022

Att. MUDRA

Ref. Legal Opinion on the legal nature of the MUDRA Token

Dear Sirs,

MUDRA (Hereinafter the "Company") intends to list its native token, the MUDRA Token, on exchange platforms. The Company has requested a legal opinion regarding the legal nature of the MUDRA Token (hereinafter "\$MUDRA" or "Token"). To these aims, I hereby provide my legal opinion regarding the legal qualification of the \$MUDRA.

#### TABLE OF CONTENT

|      |                                  |                                      |
|------|----------------------------------|--------------------------------------|
| I.   | Scope of my work .....           | 1                                    |
| II.  | Executive summary .....          | 2                                    |
| III. | Description of the \$MUDRA ..... | 2                                    |
| IV.  | Howey Test analysis.....         | 3                                    |
| V.   | Further jurisdictions .....      | 3                                    |
| VI.  | Concluding remarks.....          | <b>¡Error! Marcador no definido.</b> |
| VII. | Disclaimers .....                | 4                                    |

#### I. SCOPE OF MY WORK

The content of this legal opinion is based on the following information provided by the Company: (i) The White Paper dater May 2022 developed by the Company (hereinafter the "White Paper"); (ii) information provided by the Company; (iii) information available on the website <https://mudra.network/> (the "Website"). The analysis, comments and conclusions set forth in this legal opinion are based solely on my review of such information and research of the pertinent legislation, regulations of the competent governmental institutions in different parts of the world and case law in force as of the date hereof.

For purposes of this legal opinion, I have not conducted any investigation as to factual circumstances. This opinion is merely informative and does not address matters of fact. It should be taken into account that the legal analysis herein may be updated in the future as new laws, regulations or case law arise. Likewise, judicial and/or administrative authorities may reach a different conclusion from the one set forth below. No guarantees or assurances are given herein regarding the legal qualification of the Token.



## II. EXECUTIVE SUMMARY

I have considered whether the \$MUDRA shall be classified as a security token or a utility Token. After the analysis of the information I received, it is my view that, provided that such information is accurate and complete, \$MUDRA qualifies as a utility token.

## III. DESCRIPTION OF THE \$MUDRA

In order to facilitate the analysis and conclusions that follow, the key features and functions of the Token, relevant for the purpose of this legal opinion, will be summarized in this section.

The Company has informed us that *“Mudra Network is a decentralized, blockchain based protocol that aggregates liquidity and enables the exchange of tokens without an intermediary. Mudra Network can be integrated into decentralized applications (dApps), crypto wallets, and decentralized finance (DeFi) platforms.”*

According to the White Paper, *“MUDRA Network aims to create a financial system that is open to everyone, minimizing the need to trust or distrust central authorities. Technologies such as the internet, cryptography and blockchain provide us with the tools we need to establish and control a collective financial system without the need for central authorities.”*

Moreover, *“MUDRA NETWORK acts as a public blockchain trustee; manages all kinds of financial transactions. MUDRA NETWORK is more open and transparent than traditional finance. It is easier to enter the MUDRA.”*

The company states on its White Paper that *“MUDRA NETORK employs 3 simple functions: Reflection + LP acquisition + Burn In each trade, the transaction is taxed a 10% fee, which is split 2 ways. - 5% fee = redistributed to all existing holders -5% fee is split 50/50 half of which is sold by the contract into BNB, while the other half of the MUDRA NETWORKS tokens are paired automatically with the previously mentioned BNB and added as a liquidity pair on Pancake Swap.”*

According to the White Paper, *“While selling tokens with MUDRA TOKEN, it aims at the idea of static rewards to remove various pressure on the token. In addition, MUDRA TOKEN encourages the “reflecting mechanism” for SafeMoon holders to hold their tokens longer and provides solutions to problems. MUDRA token Auto LP also adds stability to the protocol by providing a price floor/buffer for token holders.”* Moreover *“Every trade contributes towards auto-generating liquidity that goes into multiple pools used by exchanges” and “Holders earn passive rewards through static reflection as they watch their balance of MUDRA grow indefinitely.”*



#### IV. HOWEY TEST ANALYSIS

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.*"<sup>1</sup> In this case, the elements of the Howey Test are not present as there is no common enterprise, the \$MUDRA Token does not confer any monetary right upon its holders, and there is no expectation of profit derived from the efforts of others. Consequently, based on a review of existing regulations, guidelines, precedent and enforcement actions, \$MUDRA Token does not meet the US SEC's Howey Test as a security and is no subject to enforcement and therefore, no licensing requirements apply.

It is my opinion that \$MUDRA Token is a utility token, meaning that it is issued to support products and services within the network. In attention to the economic substance of the transaction and its decentralized structure, I deem it is safe to conclude that the sales of \$MUDRA Token cannot be regarded securities transactions.

However, in the interest of clarity, it should be noted that the analysis set forth herein reflects only my opinion and assessment to the best of my ability. Judicial and/or administrative authorities may reach a different conclusion. The conclusions reached herein can substantially change after a ruling on the matter or further regulations are issued by the competent authorities. No guarantees or assurances are given herein regarding the legal qualification of the Token.

#### V. OTHER JURISDICTIONS

I have studied the laws and caselaw in the most relevant jurisdictions for the subject matter. Generally, they define a security as a collection of rights relating to a company. In view of such analysis, I am of the opinion that a Token with the following features may constitute a security token and would therefore be subject to regulation:

- a) Ownership interest in a legal person, including a general partnership;
- b) Equity interests; bonds; financial instruments
- c) share of profits and / or losses, or assets and / or liabilities;
- d) Status as a creditor or lender;
- e) Application for bankruptcy as a holder of interest on the capital or creditor;

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<sup>1</sup> U.S. Securities and Exchange Commission. "Framework for 'Investment Contract' Analysis of Digital Assets."



- f) Holder of an obligation to repay the system or the legal entity issuing the Token; is
- g) A feature that allows the holder to convert a non-security Token into a Token or instrument with one or more investment interests.
- h) Voting rights in the company

On the other hand, it is my opinion that a Token with the following characteristics will be characterized as a utility Token or governance Token:

- a) Rights to program, develop or create functionality for the Network;
- b) Network access and use;
- c) Rights to contribute to the work or governance of the Network;
- d) Right to purchase goods or services on the Network;
- g) Rights to sell goods or services on the Network;
- e) Voting rights in terms of features and functionality of the Network.

In the case of the \$MUDRA Token, I conclude that the features of security tokens are not present since it does not entitle holders to an ownership interest over the Company, voting rights, profits nor liquidation rights. Furthermore, there is no “debt creditor” right against the company to claim a redemption of a Token’s worth. Consequently, it is my opinion that the \$MUDRA Token will be likely characterized as a utility token in most jurisdictions and, therefore, it will not infringe local securities laws. However, it should be noted that the analysis set forth herein reflects only my opinion and assessment to the best of my ability. Judicial and/or administrative authorities may reach a different conclusion. The conclusions reached herein can substantially change after a ruling on the matter or further regulations are issued by the competent authorities. No guarantees or assurances are given herein regarding the legal qualification of the Token.

## **VI. DISCLAIMERS**

I have done my best efforts to produce this legal opinion. Notwithstanding, nothing contained in this legal opinion should be relied upon as absolutely certain beyond doubt and neither the Company nor any third party may make any claim against the undersigned based on what it is expressed in this legal opinion, what it is not included herein, or how I have prepared it. There is no assurance as to the accuracy or completeness of the information contained herein and no representation or warranty is provided as to the accuracy or completeness of such information. No recourse or action can be taken against the undersigned, partners, lawyers,



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The undersign shall not be liable for any damages and/or losses (including interest thereon, if any) and costs suffered or incurred by the Company or any third party in connection with this opinion and its content, including breach of contract, breach of statutory duty, tort (including negligence), fault or other act or omission by the undersigned. This opinion is addressed to you on the basis that neither you nor any other party will bring any claim for damages resulting from or related to this legal opinion against the undersigned personally. This paragraph shall survive any termination of the Company's engagement with the undersigned.

The Company is advised that the SEC or a court of a competent jurisdiction may reach an alternative conclusion to that stated in this legal opinion. No warranties of any kind as to the future treatment of the \$MUDRA Token is made herein. The content of this legal opinion is for informational purposes only and should not be considered as investment, legal nor other kind of advice.

Law Prism Consultancy is not a registered company. This legal opinion is to be understood as issued by the undersigned.

This opinion is furnished solely for the benefit of MUDRA and shall not be disclosed to any person, corporation, entity or otherwise outside of the Company.

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Yours truly,

Florencia Fernández  
Attorney at law