



Gresham International TM

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NAKA Technologies, Limited
306 Victoria House
Victoria
Mahe
Seychelles

September, 2021

Dear Team

RE: Token Assessment - The NAKA Token

This letter is written for and on behalf of Nakamoto Games, Limited - A company registered in The Republic of Seychelles with the company's registration number 230686 ("The Company" or "NAKA").

Gresham International has undertaken a review into The Company's planned to raise through an Initial Coin Offering (Often referred to as an ICO) and the NAKA Tokens that will be sold during that offering.

After an in depth review it has been concluded that The Company is not engaging in or undertaking any activities that are currently covered by the Republic of Seychelles Securities Laws, Pursuant to the Financial Services Authority Act 2013, as governed by the Financial Services Authority, or the United Kingdom Financial Service and Markets Act as governed by the Financial Conduct Authority.

The issuance and use of the Token are not to be considered a security or financial instrument for United States of America or UK national financial laws.

This letter will elaborate on why.

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Overview on Gresham and the Writer

Gresham International is a Legal Services Firm in the Cryptographic Token space. The firm is led by the writer of this letter, Mr. Cal Evans. Cal is an international lawyer with a license to practice in England and Wales in the UK under the Chartered Institute of Legal Executives (Cilex Lawyer). He is also licensed to practice law in the United States within the State of Wisconsin (In House Counsel) and has a Pending application before the Supreme Court of the Republic of Seychelles for full admission. As a UK Lawyer, he is permitted to practice as in house counsel in the Republic of Seychelles. Admission and practice certificates can be provided on request.

During his time working in the Cryptographic space, he consulted with the British Blockchain Taskforce. This Taskforce consisted of the Bank of England, Treasury, and Financial Services Authority. He also assists US State and Federal Bodies including the Government of Wyoming, Securities, and Exchange Commission and the Federal Bureau of Investigation.

Gresham also works with of Counsel licensed in various jurisdictions including the United States, Ukraine, Liechtenstein, and Singapore.

To best examine the legal status of the token in both jurisdictions, this letter will look at the United Kingdom and the United States in turn.

United Kingdom Position on the NAKA Token

It is clear from the guidance published by the FCA in late 2018, and then subsequently brought into law, that there exists within the UK three main types of tokens. For the focus of this letter, attention is drawn to the Utility Token.

The law takes into account the current Financial Services and Markets Acts which legislate the securities market within the United Kingdom (derived from EU legislation).

The NAKA Token is being issued by the Company under a project which will target user engagement and the NFT market. For clarity, this letter and the assessment

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does not look at the project itself, but rather the underlying crypto asset being sold in a primary fashion. After assessing the Company's White Paper, it is clear under the guidance issued against the current NAKA of tokens in the U.K., this NAKA Token is a utility token.

The reasons for this can be concluded as follows:

The Token itself is designed to facilitate transactions from party to party. It serves as a use engine to transfer value from party to party, more akin to a network token than anything with tangible value. The transaction value it passes from party to party is not underwritten by any party, or stored anywhere. It transferred directly from party to party on a peer to peer basis. There is also no other party editing, changing, or manipulating these Tokens for profit or gain.

The Financial Services and Markets Act

The FCA has published Policy Statement PS 19/22 Guidance on Cryptoassets dated July 2019 (PS 19/22). PS 19/22 provides guidance on the regulatory status of various types of cryptoasset. 3.2.3 Paragraph 2.25 PS 19/22 identifies the following three categories of cryptoasset:

- (a) "Security tokens:...tokens that provide rights and obligations akin to [Regulated Investments], excluding e-money...These remain within the regulatory perimeter" (Security Tokens);
- (b) "E-money tokens:...any token that reaches the definition of e-money. These tokens are subject to the EMRs and firms must ensure they have the correct permissions and follow the relevant rules and regulations" (E-Money Tokens); and
- (c) "Unregulated tokens: any token that does not meet the definition of e-money, or provide the same rights as other [Regulated Investments]. This includes tokens referred to as utility tokens, and exchange tokens...These tokens fall outside the regulatory perimeter"

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(Unregulated Tokens).

- 3.2.4 Broadly speaking, therefore:
 - (a) Security Tokens and E-Money Tokens (see below for further details regarding E- Money Tokens) are Regulated Investments; and
 - (b) Unregulated Tokens (such as Exchange Tokens as defined below) are not Regulated Investments.

As none of the above apply to the NAKA Token, it is clear that the NAKA token is not an asset which is required to be regulated within the UK and does not constitute an investment.

However, in order to be secure, the company The NAKA, has engaged with a company that is registered under the Temporary FCA registration, Vaultoro. Vaultoro Limited has been selling the tokens to users under the FCA licensed framework.

United States position on the NAKA Token

The United States has a complex position with respect to Cryptocurrencies, generally. The Securities Act of 1933 and the Securities Exchange Act of 1934 establishes the groundwork for what constitutes a 'Security' under Federal law within the United States. This is further supplemented and contradicted at State level depending on the position of the State itself. As this project is not being launched from a State within the United States, State law is disregarded for this review.

Currently, the 'Howey Test', as became precedent in SEC v W. J. Howey Co. (1946) sets the NAKA of ascertaining what constitutes a 'Security' under U.S. Federal Law. The Howey Test is the NAKA by which the enforcement divisions of the U.S. government will ascertain if the sale or operation of something amounts to an

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‘Investment Contract’, thereby making it a ‘Security’ for the purposes of the Securities Act.

Under the Howey Test the Supreme Court of the United States established four elements that have to be present for something to amount to an ‘investment contract’ and thereby become a Security. We will go through each of these and apply them to the NAKA Token.

a. An investment of money

NAKA does not take an ‘investment’ on its sale of any Tokens. A NAKA Sale Contract is deployed which is not a prospectus, invitation, or other financial document. This Sale Contract is comparable to any good or service, tangible or otherwise, which is sold from one party to another. Therefore, the purchase of a good (digital or otherwise) is totally different from an investment. It would be impossible to categorize the simple sale of software (in whatever form) as an ‘investment’.

b. In a common enterprise

NAKA operates as a private company. Although the The Company is offering the Token, there are multiple uses for the Token within the NAKA Group (A group of companies NAKA Chain is planning on establishing after the Company’s Token Sale period). Meaning, although there is one party ‘selling’ the Tokens, there is no ‘common enterprise’ present as users and owners are free to do with the Tokens what they wish after they have been offered to them.

c. With the expectation of profit

At no point has NAKA or any of its team ever suggested that a ‘profit’ is a possibility in purchasing the NAKA Token. Purchasing the NAKA Token allows users to have access to the NAKA Network. We align the Token to more of a reward scheme akin to an airline mile(s) reward package than any kind of item which promises profit.

d. To be derived from the efforts of others

The 2.0 model of the Company will see the Tokens being given over, freely, to a DAO structure company. This is a new company model which totally relinquishes control

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of any tokens to the token holders themselves. This structure is akin to an open-ended foundation or fund which allows its members to decide the fate of the items within it. As Token holders will be in charge of their own 'destiny' including all elements of control of the tokens there is no effort on the part of The Company to do anything other than establish the Token and then release it to those who are selected as participants. This constitutes that no effort will be made by others to alter, improve, or edit the value of the Token.

Finally, the United States recognizes that cryptocurrencies such as Bitcoin and Ethereum are not securities under securities laws. The NAKA Token shares a large amount of characteristics with these two 'legacy tokens' in its build, deployment, structure, and management.

Note: The NAKA Project has completely restricted US Citizens or Residents from participating in any sale of the NAKA Token.

In short: This cryptographic token powers the network and allows the underlying blockchain technology to facilitate transaction in a safe, private environment between two independent parties. This token is a core element of this function.

Although the Company is raising funds through its Token Generation Event to initially fund the project, there is no promise of return, no expectation around token price and no dividends or similar offered. At any point. The Token is purely utility in nature designed to work on the network to facilitate transactions.

It is noted that the Company is offering a 'reward' scheme, which can be akin to any other reward scheme (such as airline or hotel rewards). The Token does not carry with it, any underlying value other than the face value placed on it in order to work out the transaction facilitation (i.e. how many tokens are needed to balance out the fiat expectation made within a transaction) this amount is represented in U.S. dollar, as in common in the marketplace

Furthermore, when the Company's White Paper is assessed as compared to any investment documents such as a PPM or offering document that would be typically

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filed under Regulation D in the United States or within the UK, this White Paper possesses none of the characteristics of such a document.

Finally, it is understood that the Company will be trading the Token after issue on the secondary market. Provided that these are sold in compliance with domestic laws of the various international countries or done so through the United Kingdom in a compliant method, this will in no way impact the initial offer during the Company's Token Generation Event.

Therefore, it is concluded that the Company is issuing a utility token which is not a security under the laws of the United Kingdom or the United States of America.

Should you have any questions feel free to contact me or any member of my team.

Sincerely yours,

/s/ Cal Evans

Mr. Cal Evans, esq. Managing Associate