



LEGAL STATUS

DAO Tokens vs. 1PLANET Tokens Analysis

DAO Report dated 25 July, 2017

(<https://www.sec.gov/litigation/investreport/34-81207.pdf>)

The Securities and Exchange Commission (SEC) issued an investigative report asserting that digital tokens issued in the context of an initial coin offering (ICO) may be securities and therefore subject to the agency's jurisdiction. To date the DAO Report is one of the most comprehensive reports by the SEC on this subject and unless/until further reports are issued, it should be considered the definitive stance by the SEC. Let us analyze the 1PLANET token as it compares to the DAO tokens to determine if it would come under SEC regulations.

It is important to keep in mind that the SEC does not regulate commodity futures but rather the Commodities Futures Trading Commission (CFTC) does. And the CFTC has determined that Carbon offsets/carbon credits are unregulated commodities.¹⁴ Because the 1PLANET token represents a carbon offset (in an affordable, efficient, and traceable, digital manner) the tokens should retain its nature as a commodity so long as there are no actions which would make it a security.

The DAO report reads that: *“Under Section 2(a)(1) of the Securities Act and Section 3(a)(10) of the Exchange Act, a security includes “an investment contract.” An investment contract is an investment of money in a common enterprise with a reasonable expectation of profits to be derived from the entrepreneurial or managerial efforts of others”*. The report thereon progresses to analyze how the DAO would fit under the definition or not. We will analyze the 1PLANET token side by side in order to make a direct comparison.

DAO REPORT BY THE SEC	1PLANET TOKENS
Use of Ether to purchase DAO Tokens was a type of contribution of value sufficient to create an investment contract.	Investors will be able to buy 1PLANET tokens using Ether or FIAT currency. This would amount to a type of contribution of value meaning there is an investment of money.
Investment of money in a common enterprise	The initial purchasers might be seen as forming part of a common enterprise, if, the money from the initial token sale is used to fund the development of 1PLANET platform. However, the intention of Climate Futures is to launch with an operational 1PLANET platform. If the platform is already established and the tokens are

¹⁴ <https://www.cftc.gov/LawRegulation/DoddFrankAct/ReportsandStudies/StudyCarbonMarkets/index.htm>



	readily available, the connection becomes substantially diluted and almost nonexistent.
Investors contributed Ether to The DAO with reasonable expectation of profits from others' managerial efforts.	1PLANET token holders have no rights to any profits of Climate Futures, nor any ownership in the business. 1PLANET token is a way to participate in the carbon trading market and the 1PLANET token holders' expectations are only that their 1PLANET Tokens be utilized to offset their carbon footprints. 1PLANET token holders expectation from the team is only that the platform itself work and token holders do not expect any profit from the those efforts.
DAO Token Holders' Voting Rights Were Limited. DAO Token holders were substantially reliant on the managerial efforts of Slock.it, its co-founders, and the Curators.	The 1PLANET whitepaper talks about formation of a crypto climate fund (CCF) which will then be utilized to invest in future climate projects around the world. There may be a "voting" decision by the token holders on choosing climate projects. But those are not actual votes and more akin to "Polling" of platform users. There are no actual voting rights actually to the 1PLANET token holders. There are certainly no actual voting rights associated with the underlying company of Climate Futures.
The dispersion of holders of DAO Tokens made it difficult for them to join together to effect change or to exercise meaningful control	1PLANET tokens will be sold to the public at large. The tokens simply represent digital carbon credits/offsets and nothing more. The token holder has the option to bank (store in wallet), transfer, or utilize the 1PLANET tokens in the future for offsetting.

The SEC concluded that The DAO may have engaged in an unregistered offering of securities in violation of Section 5 of the Securities Act. However, SEC did not bring any enforcement action and instead issued the DAO report as an advisory opinion.

Carbon credits/offsets are commodities. The 1PLANET token is indistinguishable in almost every aspect. The intention and design of the 1PLANET platform is like an online shop for buying, selling and retiring carbon credit/offset commodities. These characteristics make it highly unlikely for it to fall under the purview of securities and the SEC.



LEGAL DISCLAIMERS AND DISCLOSURES

Important Information for Potential Users of the 1PLANET Platform

- Carbon Credits, including carbon offsets, are unregulated commodities in the USA.
- 1PLANET tokens are digital representations of carbon credits and carbon offsets.
- The digital tokens should allow for greater transparency, efficiency, and security than is available in the current carbon credit markets.
- 1PLANET tokens do not represent any ownership interest or voting rights in the Climate Futures company.
- Every effort is being made to have the 1PLANET token retain its inherent nature as an unregulated commodity.
- MiFID II does not apply to the sale of carbon offsets for voluntary use in the EU, or to the purchase and use of carbon offsets by operators with compliance obligations in the EU ETS.
- Due to the regulatory uncertainty regarding blockchain/ digital ledger technology, Climate Futures can make no guarantee that the 1PLANET token will not be subject to an adverse regulatory ruling in the future.

THIS DOCUMENT CONTAINS FORWARD-LOOKING STATEMENTS THAT ARE BASED ON THE BELIEFS OF CLIMATE FUTURES, AS WELL AS CERTAIN ASSUMPTIONS MADE BY AND INFORMATION AVAILABLE TO CLIMATE FUTURES. THE PROJECT AS ENVISAGED IN THE WHITE PAPER IS UNDER DEVELOPMENT AND IS BEING CONSTANTLY UPDATED, INCLUDING BUT NOT LIMITED TO KEY GOVERNANCE AND TECHNICAL FEATURES. ACCORDINGLY, IF AND WHEN THE PROJECT IS COMPLETED, IT MAY DIFFER SIGNIFICANTLY FROM THE PROJECT SET OUT IN THIS WHITEPAPER. NO REPRESENTATION OR WARRANTY IS GIVEN AS TO THE ACHIEVEMENT OR REASONABLENESS OF ANY PLANS, FUTURE PROJECTIONS OR PROSPECTS AND NOTHING IN THIS DOCUMENT IS OR SHOULD BE RELIED UPON AS A PROMISE OR REPRESENTATION AS TO THE FUTURE.

OWNERSHIP OF 1PLANET TOKENS WILL CARRY NO RIGHTS, WHETHER EXPRESS OR IMPLIED, OTHER THAN A LIMITED POTENTIAL FUTURE RIGHT OR EXPECTATION TO USE THE 1PLANET PLATFORM.

*** The 1PLANET Tokens being offered for sale are intended STRICTLY to be a digital representation of a carbon credit, which is an unregulated commodity. ***

+++ The 1PLANET Tokens being offered for public sale are part of its “Platform Launch” which means that the Platform itself is developed and operational. +++

``` This is the first time 1PLANET Tokens are being offered for sale. The “Platform Launch” is part of a global marketing campaign to bring attention to the Platform. ```



### The publication of certain materials such as a the “Whitepaper” and “Roadmap”, is SOLELY intended to bring awareness to the Platform and Climate Future’s vision for the future of the Platform. It is included to present the vision in an easily digestible format for potential Users who are familiar with Blockchain and Digital Ledger Technologies. ###

~~~ Climate Futures DOES NOT consider the sale of the 1PLANET Token to be a Security based on our legal analysis, but due to regulatory uncertainty surrounding the Blockchain and Digital Ledger Technologies and the development of legislation for future carbon markets the legal status could potentially change in the future. ~~~

## **1PLANET Risk Disclaimers**

The holding of Climate Future’s 1PLANET tokens (“Tokens”) involve some risks, some of which are set out below.

These risks, and additional risks arising either now or in the future, could result in the destruction of Tokens or the utility of Tokens, and/or the termination of the development of the Platform.

You must consider carefully whether the risks set out below, as well as all other applicable risks, are acceptable to you prior to purchasing tokens or using the Platform . You must seek professional advice (legal, taxation, financial, technical or otherwise) regarding your particular situation before holding the Token or using the Platform.

These risks, and additional risks arising either now or in the future, could result in the destruction of Tokens or the utility of Tokens, and/or the termination of the development of the Platform.

You must consider carefully whether the risks set out below, as well as all other applicable risks, are acceptable to you prior to using the Platform. You must seek professional advice (legal, taxation, financial, technical or otherwise) regarding your particular situation before holding the Token or using the Platform.

### **Changes to the Platform**

At this date, the Platform has specific functionality and utility. However, the Platform may undergo significant changes over time. Various features of the Platform, including its terms and conditions, fees, structure, purpose, consensus protocol, algorithm, source codes, infrastructure design and other technical specifications and parameters, may be updated and changed without notice.

### **No Governance Rights Attached to Tokens**

Tokens confers no governance rights of any kind with respect to the Platform or the Company. Accordingly, subject to other written arrangements to the contrary, all decisions involving the Platform will be made by the Company, including decisions to discontinue the Platform. These decisions could adversely affect the Platform and the utility of any Tokens that you hold.

### **No Rights to Assets or Property**

Tokens confer no ownership interest in any assets or property of the Company. Carbon credits are unregulated commodities. Nothing underpins the value of the 1PLANET Tokens other than the right it represents to offset carbon emissions with an underlying carbon credit.



Based on the sole discretion and future rules specified by the Company, 1PLANET tokens may be redeemed in the future, for an additional to-be-determined transaction fee, for carbon credits to certain Token holders desiring to ultimately take delivery of carbon credits. This future redemption service is planned, but not guaranteed, and will have certain transaction volume limitations and other limitations.

#### Speculation May Drive Demand for Tokens

Tokens are transferable in accordance with certain Terms and Conditions. Accordingly, demand for Tokens may be partially or wholly driven by speculation. Speculation may continue to drive demand for Tokens even after the launch of the Platform.

#### Volatility of Tokens

The circulation of Tokens is not the responsibility of the Company, and the Company does not presently intend to support or otherwise facilitate the secondary trading of Tokens. As a result, Tokens may not circulate freely or widely, and may not be listed on any secondary markets.

Even if Tokens do circulate on secondary markets, the value of Tokens may be highly volatile. Factors such as perceptions of the Company, delays in the development of the Platform, fluctuations in comparable projects and further token sales, market dynamics, regulatory actions and changes, technical advancements, as well as broader economic and political factors, may cause the value of Tokens to change significantly over a short period of time.

In addition, there may be insufficient liquidity to support an active market in Tokens, or the market in Tokens may become susceptible to market manipulation.

#### The Legal Status of 1Planet Token and Platform Is Potentially Fluid

The Company is intending for the 1Planet Tokens to retain its nature as a digital representation of a carbon credit, an unregulated commodity.

But the laws of various jurisdictions may apply to the Tokens and the Platform. The application of these laws and regulations to Tokens and the Platform is, in many cases, largely untested, and is subject to change without notice. In particular, any current governmental or regulatory tolerance of cryptographic tokens or cryptocurrencies can change rapidly, and Tokens may at any time be deemed to be a security, investment, asset or money by governmental authorities or regulators.

At this stage, the Company expects that the Tokens and the Platform may or may not be regulated in a number of key markets. This may require licensing that cannot be assured. This means that the Platform may not be available in certain markets, or at all. This could require the fundamental restructuring of the Platform. In the worst case, this could render the Tokens worthless because the Platform cannot be executed.

The Company may receive formal or informal queries, notices, requests or warnings by governmental authorities and regulators. Actions may be taken by governmental authorities and regulators against the Company or the Platform. As a result of such events, the Company may be required to discontinue the Platform.



## Tax Treatment and Accounting

The Company, Purchaser and transactions in relation to the Tokens and/or the Platform may be subject to the tax laws and regulations in any applicable jurisdictions. The tax treatment and accounting of transactions in relation to the Tokens and/or the Platform are uncertain and a largely untested area of law and practice that is subject to prospective and retroactive changes without notice. Tax treatment of cryptographic tokens and cryptocurrencies may vary amongst jurisdictions.

Your use of the Platform as a result of or in connection with any purchase, grant, delivery, exercise, vesting, distribution, activation, holding, use, appreciation, conversion, sale, exchange, redemption, assignment, transfer, disposal, may attract Taxes either now or in the future.

The Company may receive formal or informal queries, notices, requests, or summons from tax authorities and as a result the Company may be required to furnish certain information about the Platform. You must seek independent professional advice on the tax implications in relation to the use of the Platform and/or any other transactions for your particular situation.

## Reliance on the Internet

Tokens and the Platform rely heavily on the internet. However, the public nature of the internet means that either parts of the internet, or the entire internet, may be unreliable or unavailable at any given time. Further, interruption, delay, corruption or loss of data, or the loss of confidentiality in the transmission of data, may occur when transmitting data via the internet.

## Reliance on Ethereum

Tokens and the Platform rely on Ethereum. Ethereum is open-source software that is built upon experimental technology, namely blockchain. Risks arising from this reliance include (but are not limited to):

- (a) the existence of technical flaws in Ethereum;
- (b) targeting of Ethereum by malicious persons;
- (c) changes in Ethereum's consensus protocol or algorithms;
- (d) decreased community or miner support for Ethereum;
- (e) rapid fluctuations in the value of ETH;
- (f) the existence or development of competing networks and platforms;
- (g) the existence or development of Forked versions of Ethereum;
- (h) flaws in the Solidity scripting language;
- (i) disputes between Ethereum developers, miners and/or users; and
- (j) regulatory action against Ethereum developers, miners and/or users.



## Cryptographic Advancements

Developments in cryptographic technologies and techniques, including the advancement of artificial intelligence and/or quantum computing, pose security risks to all cryptography-based systems including Tokens and the Platform. Applying these technologies and techniques to Tokens and/or the Platform may result in theft, loss, disappearance, destruction, devaluation or other compromises of Tokens, the Platform or your data.

## Source Code Changes and Flaws

The various source codes used in the Platform (when developed) are subject to change and may, at any time, contain one or more defects, weaknesses, inconsistencies, errors or bugs.

## The Loss of a Private Key Is Permanent and Irreversible

You alone are responsible for securing your private key. Losing control of your private key will permanently and irreversibly deny you access to your Tokens. Neither the Company nor any other person will be able to retrieve or protect your Tokens. Once lost, you will not be able to transfer your Tokens to any other address or wallet. You will not be able to realise any value or utility that the Token may hold now or in the future.

## The Targeting of Tokens, the Platform and the Company by Malicious Persons

Tokens and the Platform (when developed) and the Company may be targeted by malicious persons who may attempt to steal Tokens or otherwise intervene in the functioning of the Platform or the Company.

This includes (but is not limited to) interventions by way of:

- (a) distributed denial of service (DDoS);
- (b) Sybil Attacks;
- (c) phishing;
- (d) social engineering;
- (e) hacking;
- (f) smurfing;
- (g) malware;
- (h) Double Spending;
- (i) majority-mining, consensus-based or other mining attacks;
- (j) misinformation campaigns; and
- (k) spoofing.

Tokens and the Platform may also be vulnerable to exploitation of vulnerabilities in smart contracts and other code, as well as to human error. This could result in significant loss and/or other impacts that may materially affect your interests.

## The Targeting of the Purchaser by Malicious Persons

Malicious entities may target you in an attempt to steal any Tokens or cryptocurrencies that you may hold, or to claim any Tokens that you may have purchased. This may involve unauthorized access to your Digital Wallet, your private keys, your cryptocurrency addresses, your email or social media accounts, as well as unauthorized access to your computer, smartphone and any other devices that you may use.

You alone are responsible for protecting yourself against such actions.



## Jurisdiction Related Risks

Changes in your place of domicile or the applicable law may result in you violating any legal or regulatory requirements of your applicable jurisdiction. You are responsible for ensuring that the delivery, holding, use or exchange of Tokens is, and remains lawful despite changes to applicable laws, your residence and circumstances.