



# Geode Blockchain

LEGAL AND  
REGULATORY  
ANALYSIS



Sparticle Concepts LLC  
Blockchain ⌘ Intellectual Property Security ⌘ Crypto Security

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## About The GEODE token

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The Geode token is used to for governance and participation rewards on the Geode Blockchain and to use its associated application ecosystem. These tokens measure:

- ▶ **Voting Weight** - governance on the chain uses nominated proof of stake (NPoS) where nominators stake tokens to nominate a given set of validators and validators stake to run a node. If the validator is chosen to create the next block, both the validator and their nominators are rewarded. Likewise, bad actor validators are slashed along with their nominators, allowing the system to naturally isolate and neutralize bad actors and those working against the system.
- ▶ **Contribution Value** - Users can undertake tasks such as uploading resume claims in the Life & Work app, posting on the Social app, setting up advertising preferences on various apps and other tasks, to earn tokens from airdrops and from apps with built in reward systems. Users on the Market app can earn tokens for selling digital and physical items. Users on the Social app can earn tokens for engaging with ads and users on the Private Messaging app can earn tokens when certain users pay to place messages in their inbox.
- ▶ **Royalties** - From songs to books, engineering diagrams, designs, and scripts, royalties of all kinds are measured and passed to the appropriate parties using the Geode token.
- ▶ **Product Value** - In future applications such as selling products, tickets, and NFTs of all kinds, Geode is used to measure and pass product value.

## Is The Geode Token A Security?

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Under the Howey Test, a transaction (or token) is an investment contract (AKA a security) ONLY IF ALL of the following are true:

1. It is an investment of money;
2. There is an expectation of profits from the investment;
3. The investment of money is in a common enterprise; AND
4. Any profit comes from the efforts of a promoter or third party.

**The Geode Blockchain MainNet, initial token minting and the associated application interface went live together. There was not an Initial Coin Offering (ICO).** There were **no financial investors** in this project prior to main net launch. Each person involved **volunteered** their own time and effort to build and maintain the network platform and its associated ecosystem. There was no investment sought to create Geode, and there is no method by which anyone could buy GEODE tokens until the Geode Blockchain MainNet, initial tokens and the associated applications interface went live.

Once the token is live on a licensed third party exchange, one could consider that purchasing any available token for fiat currencies could be seen as a speculative investment in the individual mind of a purchaser. To disabuse the purchaser of this notion where GEODE is concerned, the volunteer team creating the Geode Blockchain Network has made specific efforts to notify all parties involved, or potentially involved, that GEODE tokens are not an investment, may never have fiat value, might never

be listed on an exchange, and may never be exchangeable for fiat currencies. These statements are in the Geode Blockchain Original Whitepaper, Listed in the Terms and Conditions of each of [GeodeChain.com](https://GeodeChain.com) and the decentralized Geode User Interface.

The GEODE token exists to allow users to operate within the application ecosystem on the Geode Network. **GEODE Tokens are required for every action on the blockchain as a matter of security** to ensure against denial of service attacks. Every action on the system incurs a token fee, from registering work history and good deeds to the blockchain, registering intellectual property, and licensing that unique intellectual property, to running for council positions, voting for community proposals, and more. Users with more tokens are able to do more on the system and are able to vote up their favorite community proposals for more visibility. This is the primary motivation for a user to acquire GEODE tokens. Understanding this, let's return to the Howey Test criteria...

## Investment Of Money

Prior to launching the Geode Application Ecosystem and Blockchain MainNet, there was no opportunity for anyone to invest money. If the GEODE token is, at some point, available on a licensed third party exchange, it should not be considered an investment of money, because the user has expressly agreed in the interface terms and conditions that ...

- ▶ You acknowledge, understand and agree that the Geode token may have no value, there is no guarantee or representation of value or liquidity for Geode, and Geode token is not for speculative investment;
- ▶ None of Sparticle Concepts LLC, its affiliates, and/or Geode contributors shall be responsible for or liable for the value of Geode tokens, the transferability and/or liquidity of Geode tokens and/or the availability of any market for Geode tokens through third parties or otherwise; and
- ▶ In any decision to purchase any Geode tokens from a qualified exchange, you have not relied on any statement set out in the Geode whitepaper, GeodeChain.com, BlockAndPurpose.com, the Geode User Interface, or any other Geode related statement by any Geode user.

## Expectation Of Profits

Based on the statements above, which all users have agreed to, there should be no expectation of profits or token value whatsoever. Additionally, There were a total of 9 billion tokens minted in the Genesis block, with approximately 10-20% additional newly minted tokens created per year (actual minting per year is automated and depends on the amount of tokens being staked within the system). **Such a large supply does not create scarcity.** As such, one should not expect any GEODE token fiat value to increase.

## Investment Of Money In A Common Enterprise

The Geode Blockchain could be considered a common enterprise, because it is run by its community of users who are responsible for its continued operation and development.

## Any Profit Comes From The Efforts Of A Promoter Or Third Party

The Geode Blockchain community has adopted a NO-HYPE policy when addressing the GEODE token, opting for touting the applications and the chain itself. As such, the users themselves are the ones who will ensure that the system grows, and even then, **only if they are actively using the system applications and onboarding their friends. If an individual user is to see any income from the Geode Blockchain Network applications, they will have to do the work themselves** to register their intellectual property, post their work history, good deeds and educational milestones to attract job opportunities, and more. No third party can do that for them.

Any additional programming to improve the system is offered under bounty, by the community, who will decide what improvements should be made. The community itself votes on any fixes, improvements and new features that they choose, they will pay in tokens to whomever they feel would do the best job, and they will oversee the work. In this way, **we remove any third party or centralized entity from controlling the code** and Geode becomes truly decentralized.

But what about the whales? Won't the original development team have most of the tokens? Can't these whales dominate all of the votes and thereby maintain centralized power? No. Geode has a feature called **conviction voting** that allows those with smaller amounts of tokens to out-vote whales anytime they like by offering to lock their tokens for an extended duration (that is, to not spend them). You can read more about conviction voting at GeodeChain.com.

We can see then, that even if the purchaser considers it an investment of money in their own mind, there should be no expectation of profits and no third party or promoter is responsible for growing the system.

## CRC Scorecard For Digital Assets (Geode Score = 1)

The Crypto Ratings Council (CRC) offers a scorecard for more effective determination of how likely a crypto asset is to be deemed a security. Using their scorecard offered here: <https://www.cryptoratingcouncil.com/framework>, we were able to conduct a more accurate securities analysis of the Geode Blockchain and associated GEODE token. You can see the details of our analysis in a separate document. Here we see the resulting scores by each Howey prong and the total score of 1 (out of a range from 1 to 5), making Geode the least likely to be deemed a security.

CRC Scorecard - Geode Blockchain & The GEODE Token				
This is how Geode's scorecard would look IF the Crypto Ratings Council's Securities Law Framework and Scorecard template (found at <a href="https://assets.website-files.com/5d766f847039d787f8a99a02/609998f89636a3f99c8429c6_CRC%20Securities%20Law%20Framework.pdf">https://assets.website-files.com/5d766f847039d787f8a99a02/609998f89636a3f99c8429c6_CRC%20Securities%20Law%20Framework.pdf</a> ) were used to review the GEODE Token and associated blockchain. As projects cannot request review by the CRC, we undertook the scorecard ourselves to assess our own rating. In all of these, Y = YES, N = NO and X = Not Applicable. <b>This rating is as of February 28, 2024. The Geode Blockchain is one year Post-Launch.</b>				
<b>HOWEY PRONG TOTALS BY COLUMN &gt;&gt;&gt;</b>			<b>50</b>	<b>140</b>
			<b>(80)</b>	<b>(95)</b>
<b>3 or more prongs have scores below 100</b>		<b>(least likely to be deemed a security)</b>		<b>SCORE = 1</b>

**CONCLUSION: The GEODE token is least likely to be deemed security.**

## Is The Geode Token A Commodity? Is CFTC Registration Recommended?

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According to Investopedia, "A commodity is a basic good used in commerce that is interchangeable with other goods of the same type. Commodities are most often used as inputs in the production of other goods or services." By this definition, the GEODE token is a commodity.

The Commodity Futures Trading Commission is an independent U.S. government agency that regulates the U.S. derivatives markets, including futures, options, and swaps. The Geode Blockchain Network and the associated GEODE token do not offer derivative products. Thus, registration with the CFTC is not recommended.

**CONCLUSION: The GEODE token is a commodity. CFTC Registration is not recommended.**

## What Is The Nature Of The Business That The Token Represents?

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The GEODE token is used exclusively on the Geode Blockchain for the purposes of participating in governance, using the applications, direct-pay advertising and for buying and selling goods and services.

## Is The Geode Blockchain Network A Money Transmitter?

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United States Federal regulations, and Money Transmitter regulations in all 50 states (as of January 1st, 2023 - see the discussion below on Florida law), define a money transmitter to specifically be a *third party* who receives money from the first party *for the purposes and for the business of* transferring that money to a second party. Transfer of tokens between parties on the Geode Blockchain is direct **between two parties only**, without an intermediary or third party, and **incidental to the activities** of application use, and voting. As such, The Geode Blockchain does not fit the definition of a money transmitter.

Additionally, the Geode Blockchain system and its associated user interface do not provide "hot wallets". That is, user wallets (accounts where tokens are stored) are not stored on any central system, but are stored only on each individual user's chosen device. **The Geode Blockchain system does not store seed phrases or passwords for anyone's account. The burden of account storage is on each individual user, on their own device.** While this means that users must be very careful to keep their accounts safe themselves, it also means that the Geode Blockchain Network does not receive tokens into a central account or server to then transmit them to another account. In this way, the Geode Blockchain is incapable of being a third party in the transmission of tokens between two other parties.

That being said, any one individual user of the system could themselves be acting as a money transmitter in the daily course of their own business dealings, and if so, they must be fully licensed within their local area and any areas within which they may operate in a money transmitter capacity.

**CONCLUSION: The Geode Blockchain Network is not a money transmitter.**

## Who Bears Tax Liability Within The Geode Network?

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If the GEODE token takes on a fiat value, individual users of the Geode Blockchain Network and its associated applications would incur a tax liability for any value received or created on the system, in accordance with their local tax laws. A user may receive:

- ▶ Royalties for licensing their intellectual property,
- ▶ Payment from the treasury as a bounty for services,
- ▶ Payment from other users for goods and services, and/or
- ▶ Payment in the form of newly minted tokens as reward for operating a node or functioning as a nominator

Such will be taxable income to the user as an individual or company in the locality where they live and/or operate. **Users will be liable for tracking and reporting such income, according to its local fiat value, and for collecting and remitting any applicable taxes as appropriate.**

## Florida State-Specific Legal Considerations

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The Geode Blockchain Network was initially created by Sparticle Concepts LLC, a Florida LLC located in Clearwater, Florida.

The state legislature of Florida passed a new law to better define the entirety of how cryptocurrency is treated under the laws of the state. **Starting January 1st, 2023**, that new law went into effect in the State of Florida overhauling definitions and laws that are critical to the cryptocurrency industry. See the full text of the bill here: <https://www.flsenate.gov/Session/Bill/2022/273/BillText/er/PDF>.

Under this new law, the GEODE token (which was launched February 14th, 2023) is a "Virtual Currency", NOT a "currency", and the Geode Blockchain Network is not a "Money Services Business" of any kind. Under this new law, a "Money Transmitter" is specifically, "*an intermediary that has the ability to unilaterally execute or indefinitely prevent a transaction.*" **Transactions on the Geode Blockchain Network cannot be prevented as they are made between two individual parties, with no method for anyone to intervene to unilaterally prevent or execute any transaction.** As such, The Geode Blockchain Network, is NOT a money transmitter by Florida law.

## International Legal Considerations

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As of this analysis, Geode has users in **The United States, The United Kingdom, The EU, Australia, Nepal, Germany, The US Virgin Islands, and many other localities** and continues to grow. Laws within these countries are currently conducive to operating the Geode Blockchain Network.

As international laws are concerned, Geode users - including validator node operators, nominators, council members, programmers, and application users - should be aware of the laws in each of their localities and adhere to such laws accordingly as the community grows to include other countries.

## Ongoing Legal & Regulatory Awareness

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### KYC/AML, Suspicious Activity Monitoring And Reporting

As of this analysis, the Geode Blockchain does not undertake any activity that legally requires a KYC/AML plan. However, as we recognize that the NFT and digital market offers the potential for money laundering and terrorist financing, and as we have no interest in allowing such activity to prevent or muddy the innovative and creative activities of legitimate users, we have instituted suspicious activity monitoring and reporting processes and procedures anyway from day one to protect our users. **Features within the front end allow users to explore transactions and thereby spot suspicious activity, and to investigate that activity.** Users are encouraged to report suspicious activity in the **Suspicious Activity Reporting app** on the system where when evidence of illegal activity is present. Legal authorities can contact Geode Legal to be given special access to these reports to act on them.

### Ongoing Regulatory Compliance

We are cognizant of the quickly changing landscape of the blockchain and cryptocurrency regulatory environment. Understanding that state, federal and international laws change often, we keep a close eye on any of the following relevant to Cryptocurrency, and NFTs:

- ▶ State legislation under consideration and/or recently passed
- ▶ US Federal legislation under consideration and/or recently passed
- ▶ International regulatory changes or changes under consideration
- ▶ Actions or statements by the SEC, CFTC and FinCEN

Our intention is to not be caught off guard on any new regulatory requirements that might occur, and to have plenty of time to update software, reporting, and other aspects of operations as needed for full compliance.



## Summary of Analysis

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In summary, our analysis suggests that **the GEODE token is a commodity, is not a security, and that the Geode Blockchain Network is not a money transmitter or money services business of any kind, under any US State law or international law, as of this analysis.** We will continue to monitor the legal and regulatory landscape as it evolves and will act accordingly for full compliance.

## Legal & Regulatory Contact Information

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For questions, thoughts and further discussion of this analysis please contact:

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