



October 15, 2018

SXE Network Operational LLC
1621 Central Avenue
Cheyenne, WY 82001
Attn.: Keith Vogt, Managing Director

Re: Shakti Coin Structure – Securities Opinion

Dear Mr. Vogt:

We have been requested to render our opinion about the structure and operation of the Shakti Coin ecosystem and whether or not it can be construed and interpreted as being a “security” under applicable Federal securities laws. This opinion is requested to further support and buttress the conclusions contained in the SEC no-action letter dated August 30, 2018 referenced below.

In connection with rendering the opinion set forth herein, we have reviewed and examined the following documents and information pertinent to the Shakti Coin ecosystem:

1. A copy of letter dated August 30, 2018 to the Securities and Exchange Commission, Office of Chief Counsel, from SXE Network Operations, LLC (on behalf of the Swiss Shakti Foundation) seeking a no-action request for offering and delivering Shakti Coins without registration as a security under Section 5 of the Securities Act of 1933.
2. A copy of Summary of Project (13 pages plus exhibits) prepared by the Swiss Shakti Foundation.
3. The materials and information concerning the Shakti Network and Shakti Coin as set forth on, and contained in, the Shakti Foundation website (<http://stg.shakticoin.com>). These materials did not include a White Paper which would be available upon completion. Also, it was expressly stated that an Initial Coin Offering (ICO) was not planned.
4. A copy of the Articles of Organization dated February 13, 2018 for Shakti Confederation, LLC as filed with the Wyoming Secretary of State and the corresponding Certificate of Organization dated February 13, 2013 issued by the State of Wyoming, Office of the Secretary of State.

5. A copy of an Amendment to Articles of Organization dated July 30, 2018, as filed with the Wyoming Secretary of State, whereby Shakti Confederation, LLC changed its name to SXE Network, LLC and the corresponding Certificate of Name Change dated July 30, 2018 issued by the State of Wyoming, Office of Secretary of State.

6. A copy of an Amendment to Articles of Organization dated August 3, 2018, as filed with the Wyoming Secretary of State, whereby SXE Network, LLC changed its name to SXE Network Operations, LLC and the corresponding Certificate of Name Change dated August 3, 2018 issued by the State of Wyoming, Office of Secretary of State.

7. A copy of Open Blockchain Token – Notice of Intent dated September 18, 2018 with respect to SXE (name of blockchain asset) for filing with the Wyoming Secretary of State.

8. A copy of the draft of the Deed of Foundation of Swiss Shakti Foundation.

We have assumed the genuineness of all signatures, the legal capacity of all signatories, the validity of all acknowledgments, the authenticity of all items submitted to us as originals, and the conformity with originals of all items submitted to us as copies.

We have relied solely upon documents and other information received with respect to certain factual matters concerning the nature and structure of the Shakti Coin ecosystem and its resultant network. We have not made or undertaken to make any independent investigation of our own to establish or verify the accuracy or completeness of such factual matters concerning the Shakti Coin ecosystem and we have assumed in rendering the opinions contained herein that none of such information or factual matters contain any untrue statement of material fact or omits to state a material fact necessary to render the statements made, in light of the circumstances in which they were made, not misleading.

Subject to the foregoing, it is our understanding that the Shakti Coin ecosystem and network consists of, and involves, the following structure, participants, activities and features:

A. Shakti Foundation.

1. General. The Swiss Shakti Foundation (the “Shakti Foundation” or “Foundation”) is in the process of being established as a public benefit foundation domiciled in Zug, Switzerland. The nominal founder of the Foundation was SXE Fdrs GmbH, a Commonwealth of The Bahamas based entity.

The Foundation delegated authority to SXE Network Operations LLC (“SXE Network”), a Wyoming limited liability company formed on February 23, 2018, to perform all services necessary to ensure global compliance with all regulations, territory-by-territory, pertaining to any and all financial matters that may arise as a result of the Foundation’s world-wide activities.

To bring trust and confidence to the crypto community, SXE Network has appointed Lanphier LLP (www.cpafirmco.com), an independent full-service CPA firm, to collect software license fees paid by node operators and to manage, review and remit payment to service providers. In addition, SXE Network has appointed Lysis Financial, Ltd. (www.lysisfinancial.com), an entity with global compliance expertise, to provide the Shakti ecosystem with participant on-boarding procedures and other pertinent compliance requirements.

2. Mission. The Foundation’s mission is poverty alleviation by enhancing education through a unique program which addresses school participation deficits globally utilizing an innovative blockchain protocol, Proof-of-Effort (“PoE”). Based on the PoE protocol as embodied in the Shakti Network, parents are incentivized to bring their children to school by receiving one Shakti Coin for each child, every day the child attends school upon validation by other participants and/or contributors to a child’s education. The various aspects of the Shakti Network are further described and summarized below.

B. Shakti Network.

1. General. The Shakti Network will use a new innovative PoE protocol based on a distributed ledger technology (known as blockchain). Currently, the PoE protocol has been fully developed and the Shakti Network is running on a test network comprising 22 servers in five continents. It is anticipated that the open source developer community will be involved and continue to perfect the Shakti ecosystems and further enhance and strengthen many aspects of the PoE protocol and the ecosystem.

Currently, it is contemplated that the Shakti Network will go live and be fully operational in late January, 2019. At that time, the Shakti Network will run autonomously and is self-propagating by those who join the Network by onboarding themselves and others and downloading the appropriate software. The Shakti will be accessible to anyone with a computer, smart phone or other internet access. At operational inception, the Foundation envisions that it will focus upon obtaining participants located in four (4) general locations including the United States.

Once the Shakti Network goes live and is successfully operational for some period, the Foundation's expectation is that the Shakti Coins will naturally evolve into an accepted form of payment through the network of participants increasing the utility of the Coin as an incentive for participating families to send their school-aged child to school.

2. Shakti Coin and its Features. Shakti Coins are fungible with each other, but there is no limit on the number of coins that can be created. The Coins are created according to a mathematical algorithm based on real parents with real school children, collectively making an effort to attend school which is validated by other participants.

When the Shakti Coins are issued, the Shakti Network enables holders to tag or label their Coins in order to identify and manage the Coins easily, such as (i) number of Coins earned from mining, (ii) number of Coins purchased with fiat money, (iii) number of Coins stored for future use (savings), (iv) number of Coins dispersed or received for exchanging goods and services, (v) number of Coins dispersed or received for providing services and selling goods, etc. The tagging or labeling is done based on the holder's individual preferences.

The Foundation, in the process of incorporation, has pronounced and memorialized that the value of a Shakti Coin shall be fixed at \$5.00 US, which amount is sufficient to provide two square meals a day per schoolchild (for 95% of the world's schoolchildren), with a little extra to purchase materials and school supplies. The Foundation believes that the targeted value of \$5.00 US represents and stores intrinsic value which will be stable over time. The operation of, and consensus required in, the Shakti Network will also serve to maintain the fixed value. In a subsequent trading market, the value may fluctuate and may drop below the \$5.00 US target value. The pronounced floor value of \$5.00 US will be reviewed every two years, or more regularly in exceptional circumstances.

The symbol established for the Shakti Coin is SXE (Shakti Exchanged for Education). It is envisioned that smaller denominations will exist for the Shakti Coin,

namely, the “Chai” (value of \$.05 US) and “Toshi” (value of \$.0005 US). One Chai is the minimum amount (i.e., \$.05 US) that can be independently transacted within the Shakti Network. Micropayments may be in smaller denominations than one Chai, but these are not considered independent transactions.

3. Participants in the Network. Access to the Shakti Network will be granted to any one that registers to join and follows the required onboarding process which involves strict Know Your Client procedures which respect to a person’s identity and basis for participating in the Network. The number of miners of the Shakti Network is not limited by the Foundation or its affiliates, but rather by the number of parents in the world that have school-aged children. Upon receiving a valid Shakti ID, a person is able to join the Shakti Network and obtain a virtual wallet for holding Shakti Coins.

It is contemplated that the participants in the Shakti Network will include the following:

(a) Parents. The parents (mothers, and fathers if they are able) or guardians of school-aged kids are the principal participants in the Shakti Network. The parents’ ability to mine the Shakti Coin in the first instance only arises after the students’ attendance at school is validated and confirmed at which time the parent receives one Shakti Coin for each child every day that attendance at school is verified.

Every Shakti Coin will be created through the mining process of parents. No Shakti Coin will be pre-mined. Thus, if a Shakti Coin exists, it has been mined by the validated efforts of parents. For each validated child attending school, a total of 1.25 Shakti Coin is created and distributed. The parent receiving one Shakti Coin and the other participates and stakeholders share the additional 0.25 Shakti Coin in the form of micro payments based on a fixed formula and allocation process.

Once mined in the first instance, the parent will be able to use Shakti Coins as medium of exchange with participating merchants, or potentially transfer them within their community.

(b) Validators. Validators are persons that validate the physical existence of a child for on-boarding into the Shakti Network. Also, validators are persons and institutions who participate in the Shakti Network and physically validate the daily attendance of children at school at multiple points in the process. Typical validators could include bus drivers, teachers and the school and its personnel (principal, school nurse, etc.).

Validators will receive a micro payment (small fraction of a Shakti Coin) in exchange for validating the daily attendance of each child, for each day of school attendance.

(c) Node Operators. The Shakti Network and its blockchain technology will be supported and maintained by node operators who, in turn receive access to the Shakti Network and the ability to mine for transaction fees. The persons/entities that operate a node will have to verify the claims made by the respective parents and validators and thereby enforce the legitimacy and immutability of the Shakti Network by ensuring consensus is maintained on the Shakti blockchain ledger. Each node operator can only buy one license which cannot be sold or otherwise transferred to a third party. Two levels of node operators are envisioned.

The Power node operators will be a select group of experienced node operators, who will be incentivized to join the Shakti Network and popularize it. Power node operators will pay an annual software license fee and be required to locate their server in a data center distributed according to a four-tier system ranging in price from \$999 US to \$199 US. Locating the server in a data center provides the power node operator with enhanced geographic stability on the network for which power miners gain early access. The power node licenses are limited in number and are distributed based on suitability. It is anticipated that they will act as “influencers” and encourage general participation in the Shakti Network.

There is no limit to the number of Regular node operators who can join the Network. Regular node operators will pay an annual software license fee of \$49.95 to operate and maintain the Shakti blockchain ledger and their servers can be located anywhere but a data center. Thus, the difference between a power node operator and a regular node operator is primarily the location of their servers. It is contemplated that the Network will continually expand to accommodate regular node operators as they sign on to the technology.

All node operators will earn a small fraction of a Shakti Coin as a verification fee for each Shakti Coin mined by a parent and verified by them, which fee shall be automatically transferred to the node operator’s wallet. In addition, all node operators are initially eligible to receive a “Genesis Bonus Bounty” in the early stages of the Network consisting of up to 1,000 SXE (equivalent to \$5,000 US). The source of Shakti Coins for this Genesis Bonus Bounty will be from irrevocably dedicated micropayments arising from the validation of school attendance of participating children. As later node operators sign up, they may not be offered the Genesis Bonus Bounty or may be offered

a smaller Genesis Bounty.

The Genesis Bonus Bounty is akin to a commission paid for onboarding participants (parents, validators, merchants, etc.) onto the Network but will be phased out and terminated as participants grow in the Network. The Genesis Bonus cannot be used or accessed until one of two conditions are satisfied: (1) after 84 months (seven years) the Genesis Bounty will automatically be unlocked and available for the wallet holder to use as they wish, provided they are still actively participating in the Network, or (2) for each person the wallet holder successfully refers to, and on-boards onto, the Network will reduce the waiting period by one month. More specifically, if the node operator is able to on-board at least 84 participants (at least 10% coming from the merchant community), they will have access to the transaction fees earned and have access to the promised Genesis Bounty.

4. Administration. SXE Network, through the appointed CPA firm, receives all payment of software license fees made by node operators. These fees will be applied to the administrative costs incurred by SXE Network for compliance due process, to sponsor educational initiatives, to publish guidelines with respect to various regulatory issues arising for Shakti wallet holders (such as cross border transactional tax issues) and to provide full-time software maintenance and support services to node operators.

SXE Network does not intend to increase the annual license fees being paid by node operators. If such annual fees are increased, it will be for the sole purpose of covering increased costs incurred with respect to the expenses incurred with respect to the Shakti Network.

C. Secondary Trading of Shakti Coin.

With respect to exchange of SXE Coins between holders, the Foundation has the role of developing the protocol layer of the technology and furthering education and adoption of the SXE Coin without being involved in, enabling or directing, the business of acquisition and/or sale of coins. Thus, there are no exchange platforms developed, run or controlled, by the Foundation or its affiliates. However, every participant in the Shakti Network owning SXE Coins are free to trade their coins for any purpose desired by the participants either through peer-to-peer transactions through the Shakti Network or through other independent transactions (including exchange of SXE Coins for fiat money) on other suitable platforms.

Based on the foregoing facts and circumstances, the undersigned's analysis and discussion supporting the opinion rendered herein commences with two complementary pillars of securities regulation: The Securities Act of 1933, as amended (the "1933 Act"), 15 U.S.C. §§77a-77aa, and the Securities Exchange Act of 1934 (the "1934 Act"), §§78a-78mm. Section 2(a) of the 1933 Act and Section 3(a)(10) of the 1934 Act employ nearly identical definitions of the term "security." Congress intended these sweeping definitions to encompass a wide variety of financial instruments, ranging from well-established investment vehicles (e.g., stocks and bonds) to much more arcane arrangements. *SEC v. C. M. Joiner Leasing Corp.* 320 U.S. 344, 351 (1943). Included in this array is the elusive concept of an "investment contract."

Though "investment contract" has not been defined by Congress, the test for whether a "given financial instrument or transaction constitutes an 'investment contract' under the federal securities laws," has long been settled. See *United States v. Leonard*, 529 F.3rd 83, 85 (2d Cir. 2008)(citing the seminal case *SEC v. W. J. Howey Co.*, 328 U.S. 293 (1946)). The test set forth in *Howey* (the "Howey Test") defines an investment contract as a "contract, transaction, or scheme whereby a person [1] invests his money [2] in a common enterprise and [3] is lead to expect profits solely from the efforts of the promoter or third party.' See *Id.* at 298-299; see also *SEC v. Edwards*, 540 U.S. 389, 393 (2004); *McGill v. American Land & Exploration Company*, 776 F. 2d 923 (10th Cir. 1985). All three elements of the Howey test must be established for a scheme or transaction to qualify as an "investment contract." See *Revak v. SEC Realty Corp.* 18, F. 3d, 81,87 (2nd Cir. 1994).

Whether a transaction or instrument qualifies as an "investment contract" is a highly fact-specific inquiry. See, generally, *Howey*, 328 U.S. 293 (investment contract existed where investors bought parcels of land in citrus groves from a company for a relatively uniform purchase price, company had discretion to cultivate and harvest the crops, and investors were to receive allocations of net profits). This is especially true in the context of "relatively new, hybrid vehicle[s]," which require "case-by-case analysis into the economic realities of the underlying transaction[s]." See *United States v. Leonard*, 529 U.S. 83, 88-89 (2nd Cir. 2008)(quoting *Reves v. Ernst & Young*, 494 U.S. 56, 62 (1990)); *Tcherepnin v. Knight*, 389 U.S. 332, 336 (1967); *United Hous. Found., Inc. v. Forman*, 421 U.S. 837, 847-48 (1975).

In July 2017, the Commission analyzed whether blockchain-based assets could be a "security." See In the Report of Investigation Pursuant to Section 21(a) of the Securities Act of 1934: The DAO, Exchange Act Release No. 81207 (July 25, 2017)(the "DAO Report") The Commission determined that the DAO Tokens, at issuance, were securities because they satisfied the elements of the Howey Test for existence of an

“investment contract.” See also, In the Matter of Munchee, Inc., Securities Act Release No. 10445 (December 11, 2017)(administrative cease-and-desist order accepting an offer of settlement arising from the offer and sale of MUN tokens by Munchee, Inc.).

We now proceed to discuss and apply each of the elements of the Howey Test to the facts and circumstances existing with respect to the Shakti Coin ecosystem.

A. Elements of Howey Test.

1. Investment of Money.

The first component of the Howey test is the investment of money. See Howey, 328 U.S. at 299-300; see also SEC v. SG, Ltd., 265 F. 3d 42, 48 (1st Cir. 2001)(“[t]he determining factor [for the first Howey prong] is whether an investor ‘chose to give up specific consideration in return for a separable financial interest with the characteristics of a security’”(quoting Int’l Bhd. Of Teamsters, Chauffers, Warehousemen & Helpers of Am. v. Daniel, 439 U.S. 551, 559 (1979)); SEC v. Brigadoon Scotch Distrib., Ltd., 388 F. Supp. 1288, 1291 (S.D.N.Y, 1975)(finding significant that advertising brochure “consistently described the collection of rare coins as an ‘investment’”). However, cash is not the only form of contribution or investment that will create an “investment contract.” It may take the form of goods or services or some other exchange of value. See Uselton v. Commercial Lovelace Motor Freight, Inc. 940 F. 2d 564, 574 (10th Cir. 1991), cert. denied sub nom, Alcox v. Uselton, 502 U.S. 893 (1991)(quoting Daniel, 439 U.S. at 560 n. 12).

A parent’s receipt of a Shakti Coin does not arise or occur based on an investment of money or other exchange of value. Instead, a parent receives a Shakti Coin as part of a reward system which incentivizes social behaviors, i.e., ensuring their child attends school. Similarly, the other participants in the Shakti Network receive a micro payment of a Shakti Coin not by investment of money, but based on efforts validating a child’s school attendance or efforts ensuring consensus on, and maintenance of, the Shakti blockchain ledger.

The only money involved in the Shakti Network is the software license fee paid by node operators which permits them to carry out the verification process and maintain the Shakti blockchain ledger. This payment is not indicative of an investment but is consistent with the desire and ability to use the item acquired. See United Hous. Found., Inc. v. Forman, 421 U.S. 837, 858 (1975)(stock purchase in housing cooperative was necessary to personally use the subject property and was not a security).

The lack of money or other exchanged value invested in the Shakti Network is contrasted with the sales of tokens or coins where the first Howey test component was found to exist. See DAO Report at 11 (DAO Tokens were received in exchange for ETH, a virtual currency used on the Ethereum Blockchain).

2. Common Enterprise.

The second component of the Howey test is whether the investment is made in a common enterprise. Common enterprise has been further refined by the circuit courts into two linked concepts – horizontal commonality and vertical community. Each commonality concept is separately addressed.

a. Horizontal Commonality. Horizontal commonality “is characterized as the tying of each individual investor’s fortunes to the fortunes of [] other investors by the pooling of assets, usually combined with the pro-rata distribution of profits.” *In re J.P. Jeanneret Assoc., Inc.*, 769 F. Supp. 2d 340, 359 (S.D.N.Y. 2011); *SEC v. Sg. Ltd.*, 265 F. 3rd 42 (1st Cir. 2001); When a common enterprise is “marked by horizontal commonality, the fortunes of each investor depend upon the profitability of the enterprise as a whole ... [with] a sharing or pooling of funds.” *Revak v. SEC Realty Corp.*, 18 F.3d 81, 87 (2nd Cir. 1994)(internal quotation marks and citations omitted).

In the case of the SXE Coin, there is no pooling of, or sharing of, assets by parents or other participants in the Shakti Network. As previously discussed, parents do not invest money or other value in order to participate. Instead, they are rewarded with a SXE Coin for efforts in ensuring their child attends school. Similarly, other participants are rewarded by their efforts to either validate or confirm school attendance by a child, or based on efforts to ensure consensus on, and maintenance of, the Shakti blockchain ledger. Accordingly, every person is acting for their own personal benefit and the decentralized nature of the Shakti Network evidences the lack of any horizontal commonality, which is separate and distinct from, and not tied to, the benefit which other participants may receive.

b. Vertical Commonality. The vertical commonality concept has two variants. Broad vertical commonality requires that the well-being of all investors be dependent upon the promoter’s expertise. See *Villeneuve v. Advanced Bus. Concepts Corp.*, 698 F. 2d 1121, 1124 (11th Cir. 1983) aff’d en banc 730 F. 2d 1402 (11th Cir. 1984); In contrast, narrow vertical commonality requires that the investor’s fortunes be “interwoven with and dependent upon the efforts and success of those seeking the

investment or of third parties.” *SEC v. Glenn W. Turner Enters.*, 474 F. 2d 476, 482 n. 7 (9th Cir. 1973); *Hocking v. Dubois*, 839 F. 2d 560, 566 (9th Cir. 1988).

Under the structure and operation of the Shakti Network, the existence of many unaffiliated parents, attendance validators and node operators indicates and evidences a decentralized Network. Thus, there is, effectively, no singular promoter or entity whose fortunes, when considered with typical participants, could support, create, or evidence any vertical commonality.

3. Expectation of Profits Solely From the Efforts of Others.

The final component of the Howey test – the expectation of profits solely from the efforts of others – is itself divisible. We address each sub-element separately.

a. Expectation of Profits. The Supreme Court has recognized an expectation of profits in two situations, namely, (1) capital appreciation from the original investment, and (2) participation in earning resulting from the use of investors’ funds. *United Hous. Found., Inc. v. Forman*, 421 U.S. 837, 852 (1975). These situations are to be contrasted with transactions in which an individual purchases a commodity or item for personal use or consumption. *Id.* at 858.

The SXE Coin was specifically designed so that its value would be stable and not subject to variations or changes in value and that the stable, consistent value would be supported and maintained by the Shakti Network. Thus, parents and other participants in the Shakti Network have no reasonable expectations that, have no promises that, and have received no indications that, the SXE Coin will increase in value or otherwise be profitable. Instead, such stability in value of the SXE Coin is anticipated to allow the SXE Coin to naturally evolve into an accepted form of payment throughout the Shakti Network thereby increasing its utility as an incentive for participating families to send their children to school.

The lack of profit existing by owning SXE Coins is contrasted with the dissemination of various promotional materials indicating that holders of DAO tokens would share in potential profits derived from contracts funding projects. See DAO Report at 11-12.

b. Solely From the Efforts of Others. The circuit courts of appeal have consistently declined to give literal meaning to the word “solely”, but instead hold this Howey test element is satisfied as long as “the efforts made by those other than the investor are undeniably significant ones, those managerial efforts which affect the

failure or success of the enterprise.” SEC v. Glenn W. Turner Enters. 474 F.2d at 482. See also SEC v. Sg Ltd. 265 F.3d 42 (1st Cir. 2001); accord, Rivanna Trawlers Unlimited v. Thompson Trawlers, Inc. 840 f.2d 236, 240 n. 4 (4th Cir. 1988)(adopting this holding and listing eight other circuits which have held to like effect).

The success or failure of the Shakti Network will be determined not by any continuing and ongoing efforts undertaken or performed by the Foundation and/or its affiliates but will be based upon the efforts of parents and other participants in supporting and encouraging school-aged child to attend school and verify such school attendance, which results in receipt of SXE Coins. See Avenue Capital Mgmt. II LP v. Schaden, 843 F.3d 876 (10th Cir. 2016)(LLC interests were not investment contracts since the subject LLC members had control over profitability); Nelson v. Stahl, 173 F. Supp. 2d 153 (S.D.N.Y. 2001)(LLC interests not investment contracts where LLC agreement gave members complete control over management decisions). Thus, the propagation of every greater numbers of SXE Coins is dependent on ever increasing number of parents and other participants in the Shakti Network who are incentivized to encourage, support and increase school attendance by children.

The emphasis on participants holding, or seeking to obtain, SXE Coins in determining the success of the Shakti Network is contrasted with substantial, ongoing managerial efforts and operational controls exercised by, and held by, DAO founders in determining the ability to generate profits for DAO token holders. See DAO Report at 12-15.

Based on the foregoing legal analysis and subject to the qualifications contained herein, it is our opinion that the events and circumstances leading to the issuance of a Shakti Coin does not result in the Shakti Coin being a “security” as defined in Section 2(a) of the 1933 Act or Section 3(a)(10) of the 1934 Act. Therefore, the promotion and distribution of the Shakti Coin should not be subject to any compliance requirements which may be imposed upon the sale of a “security” under applicable Federal securities laws.

The opinions expressed herein are subject to the following qualifications and limitations:

(a) The opinions are based only on the laws in effect and the facts in existence as of the date hereof and in all respects are subject to and may be limited by future legislation, developing case law, and any change in facts or other events occurring after the date of this letter. We undertake no duty, and hereby disclaim any obligation, to advise you of the same.

(b) The opinions were formed without investigation outside the documents referenced herein and the assumption that the documents referenced herein are valid and correct. If referenced documents are found to be invalid, then this opinion is null and void.

(c) The Foundation has not been established as of the date of this opinion. The statements herein regarding the anticipated role and actions of the Foundation are based upon representations made to us by SXE Network and its affiliates. When it is established, we assume that the Foundation will grant proper authorization to SXE Network and others as stated herein and that its website will be activated and generally available to the public with the same general materials and information as reviewed and examined prior to rendering the opinion herein. In the event that the Foundation is not timely formed and/or the Foundation's role and activities are materially difference than as represented by SXE Network and its affiliates, this opinion may be void or inapplicable. Once the Foundation is established, we reserve the right to examine the Foundation's formation and actions undertaken to delegate authority to other entities and to examine and explore its website and the materials and information contained and set forth on such website. Upon completion of such examination, we reserve the right to alter, amend, revise and/or update this opinion as may then be necessary. However, we shall not be under any obligation to conduct such an examination or to alter, amend, revise and/or update this opinion.

We give no opinion, and no opinion should be inferred or implied, beyond those expressly stated in this letter. Without limiting the generality of the preceding sentence, we specifically express no opinion with respect to:

(a) The Federal or state income tax impact and effect of the receipt, distribution or exchange of any Shakti Coin received by any participant in the Shakti Network;

(b) The extent to which the Shakti Coin may be consisted a commodity or currency which may be subject to other Federal regulations and requirement;

(c) The extent to which any trading platform for the exchange or transfer of SXE coins may be construed as an "exchange" under Section 3(a)(1) of the 1934 and whether such trading platform must register as a national securities exchange or operate pursuant to an appropriate exemption;

(d) Any non-U.S. law, statute, regulation or other provision which may subject the Shakti Coin to compliance requirements or restrictions.

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This opinion letter is being delivered to and accepted by you with the understanding that such delivery and acceptance are conditioned upon your agreement that (i) neither you, your counsel nor affiliated entities have knowledge of any incorrect statement or omission relating to the facts and opinions set forth herein and (ii) except to the extent of the information disclosed in this opinion letter, the Foundation and SXE Network Operations, LLC have not waived their respective attorney-client privilege. Our response to you should not be construed in any way to constitute a waiver of the protection of the attorney work product doctrine with respect to any files involving the Foundation and SXE Network Operations, LLC.

The opinions expressed in this letter are given solely for the benefit and use of the Foundation (upon its formation), SXE Network Operations, LLC, their successors and assigns and their legal counsel concerning whether or not the Shakti Coin constitutes a "security" under applicable Federal securities laws.

If there are any questions or comments concerning the opinion expressed herein, please advise.

Sincerely yours,

ALLEN VELLONE WOLF HELFRICH
& FACTOR, P.C.

By 

Patrick J. Russell

PJR:pjr