LEGAL OPINION on the nature of DEDACOIN Token and Licensing Obligations of the Issuer	
For	**DEDA BIT SOCIEDAD DE RESPONSABILIDAD LIMITADA,** a company incorporated under the laws of Costa Rica, with the registered office at Centro Comercial La Paco, Plaza Florencia, San José Province, 10201 San Rafael de Escazú, Costa Rica, registration code 3-102-898549
Mandated by	**BS Capital OÜ,** a company incorporated under the laws of the Republic of Estonia, with the registered office at Toom-Kuninga 15, 10122 Tallinn, Harjumaa, Estonia, registration code 12703712
Prepared by	**Juliia Miroshnichenko**, Lawyer, practicing in the Republic of Estonia, certified to issue this legal opinion in accordance with the relevant qualification requirements and the degree of Master of Arts in Law obtained at Tallinn University of Technology
Date	1 March 2024

1. Introduction

Scope of Opinion

We, BS Capital OÜ, a company incorporated under the laws of the Republic of Estonia, with the registered office at Toom-Kuninga 15, 10122 Tallinn, Harjumaa, Estonia, registration code 12703712 (also referred to in this opinion as "LegalBison", "we", "us" and "our"), through Juliia Miroshnichenko, Lawyer, practicing in the Republic of Estonia, certified to issue this legal opinion in accordance with the relevant qualification requirements and the degree of Master of Arts in Law obtained at Tallinn University of Technology, have prepared a legal opinion in respect of DEDACOIN virtual asset token (hereinafter, the "Token" and "DEDACOIN") issued by the client's legal entity incorporated in the jurisdiction of Costa Rica as set forth above (hereinafter, "the Company"). This opinion was prepared and issued in regard to the following scope, requested by the Company:

1. In the first instance, the nature of the Token within the legal framework laid down by the laws and regulations of Costa Rica; and
2. In the second instance, to what scope and extent the aforementioned regulations allow the Company to issue the Token without invoking the obligation to comply with the provisions of laws and regulations concerning the issue of instruments used for investment and possessing the characteristics of a security as well as the obligation to obtain a license and/or any other form of authorisation from competent authorities of Costa Rica for the purposes of the Token issue through Initial Token Offering event.

Documents and Materials

This opinion is based upon the analysis and review of the following documents and materials provided to us by the Company:

1. The information document detailing the tokenomics and characteristics of the Token (the "Whitepaper");
2. The special questionnaire containing questions on the comprehensive description of the token and its intended functionality, filled by the Company in its sole discretion and in its entirety, and
3. All other documents, laws, and regulations, including all relevant Costa Rican regulations and other regulations having effect on the Company's Token and project. The Token is therefore reviewed on the basis of the applicable laws and regulations in force at the moment of the issuance of this opinion.

Disclaimers

This opinion is not a guarantee of any result, goal, or determination outlined by the Company in the Whitepaper and other applicable drafts and documents. In an environment of rapidly changing technology and technological advancement, blockchain technology develops at a growing pace causing the law to adapt to the speed of technological progress. As a result, the contracts of this opinion shall be perceived as reflecting the status of the token as of March 2024. The applicability of amendments in the relevant Costa Rican and other application legislation to the statements and conclusions of this legal opinion as well as the (non)-security status of the Token shall be assessed notwithstanding the legal opinion in question, its contents, and their applicability and relevance to the legislative framework in force as of March 2024.

Furthermore, this legal opinion does not purport to provide a formal legal opinion with respect to law outside of the scope of the Costa Rican legal framework. Should the concerned persons in any other jurisdiction require this legal opinion to be provided for their disposal as confirmation of the (non)-security status of the Token, the persons in question shall bear in mind that the conclusions of this legal opinion may not be applicable in the respective jurisdiction(s).

This opinion is written in good faith, and cannot be deemed as a guarantee or an obligation, or a ground of liability of LegalBison. The contents of this legal opinion are the intellectual property of LegalBison. The Company or any other intermediary may not copy the document in its entirety, or parts of it, and use it in any other context that is outside the scope of this legal opinion.

This legal opinion is based solely on the sources explicitly described herein. The legal opinion was prepared on the basis of information and documents furnished by the Company, including but not limited to information provided over the course of communication with the owners of the Company and other available documentation. To the extent that any additional and/or presently unidentified sources of

information or newly enacted regulation may materially alter the opinions contained therein, the undersigned assumes no liability.

In accordance with the documents and information presented to us in a duly manner, our opinion is as follows.

2. Legal Framework Applicable ICOs/ITOs and Virtual Assets in Costa Rica

Regulatory Framework on Virtual Currencies in Costa Rica

As of March 2024, Costa Rica remains a notable example of a jurisdiction that has not yet implemented specific regulations governing virtual currencies, including, *inter alia,* regulatory regimes applicable to VASPs and ICO/ITO. The country does not have a central regulatory body that oversees cryptocurrencies, and there are no laws explicitly addressing their use or trading. This stance has been particularly addressed in the Mutual Evaluation Report ("MER") of the Financial Action Task Force of Latin America ("GAFILAT") of January 2023,[1] which highlights the country's ongoing deficiencies in the regulatory framework in regard to the evolving technological environment pertaining to the field of virtual currency as well as products, services and persons related to them or engaged in dealings with such.

Costa Rica applied to the Financial Action Task Force of Latin America (GAFILAT) for the re-rating of four Financial Action Task Force ("FATF") recommendations 8, 17, 22, and 28 officially rated within the scope of the previous MAR adopted in line with GAFILAT's Fourth Round protocols in July 2015. Additionally, the Plenary Additionally, the Plenary was set to re-evaluate six other FATF recommendations (2, 5, 7, 18, and 21) in regards to advancements made by Costa Rica in rectifying the technical compliance deficiencies highlighted in its initial MER. Ratings are updated based on the observed progress, with the anticipation that the country would address most, if not all, technical compliance issues within three years following the adoption of its MER.

The results of this re-rating were discussed at the GAFILAT Plenary Meeting in December 2022, where all ratings with the notable exception of Recommendation 15, were either maintained or postponed until the next Plenary in July 2023.[2] However, with the comprehensive amendment of Recommendation 15 and the addition of criteria 15.3 to 15.11 in the FATF Methodology, the GAFILAT reached a conclusion that the country lacked measures to incorporate virtual assets ("VAs") and VASPs into its AML/CTF regulatory framework, stating that the country failed to meet all the aforementioned criteria of Recommendation 15.[3]

For the purposes of further assessment, it is important to underline the matters addressed by FATF Recommendation 15, which emphasizes the importance of addressing the potential money laundering and terrorist financing risks associated with new technologies.[4] It advises countries and financial institutions to:

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[1] GAFILAT, *Fourteenth Enhanced Follow-Up Report and Fourth Technical Compliance Re-Rating Report of Costa Rica* (XLVI GAFILAT Plenary Meeting, 2023) 2 <www.fatf-gafi.org/content/dam/fatf-gafi/fsrb-fur/GAFILAT-Costa-Rica-Follow-Up-Report-2023.pdf.coredownload.pdf> accessed 29 February 2024.
[2] Ibid, 20.
[3] Ibid, 18.
[4] FATF, *International Standards on Combating Money Laundering and the Financing of Terrorism & Proliferation* (first published 2012, FATF) 17 <www.fatf-gafi.org/recommendations.html> accessed 29 February 2024.

- *Identify and assess risks*: Countries and financial institutions should identify and assess the risks related to the development of new products, business practices, delivery mechanisms, and the use of new technologies. This assessment is crucial for both new and existing products or services. Financial institutions, in particular, are advised to conduct risk assessments before launching new products or adopting new technologies.
- *Pre-launch risk assessment:* Financial institutions must conduct a risk assessment before introducing new products, business practices, or technologies. This proactive evaluation helps in understanding and mitigating potential risks associated with the innovation in question.
- *Appropriate measures:* After identifying the risks, countries and financial institutions are required to take appropriate measures to manage and mitigate these risks effectively. These measures are essential for safeguarding against money laundering and terrorist financing activities.
- *Regulation of Virtual Asset Service Providers*: To address the risks posed by virtual assets, countries are urged to regulate virtual asset service providers ("VASPs") for Anti-Money Laundering and Counter-Terrorist Financing ("AML/CFT") purposes. VASPs should be licensed or registered and subjected to robust monitoring systems. These regulations are aimed at ensuring compliance with the relevant measures outlined in the FATF Recommendations.

As demonstrated by our assessment, Recommendation 15 underscores the need for vigilance and proactive risk management in the face of evolving technologies. It stresses the importance of staying ahead of potential risks associated with new financial products and technologies, especially concerning virtual assets, and implementing regulatory frameworks to mitigate these risks effectively. In the context of the MER, in the course of its assessment, the conclusions of the assessment of Costa Rica's compliance with each criterion set forth in Recommendation 15 were outlined as follows:[5]

1. *Criterion 15.3:* Costa Rica lacks regulations for identifying and assessing risks associated with VAs and VASPs, hindering the implementation of a risk-based approach in this sector.
2. *Criterion 15.4:* Costa Rica has not established licensing or registration requirements for VASPs, preventing measures to prevent criminals from owning or managing VASPs.
3. *Criterion 15.5:* There are no licensing or registration requirements for VASPs, and the country has not identified individuals or entities conducting VASP activities without proper authorization.
4. *Criterion 15.6:* No provisions exist for supervising or monitoring VASPs, making it impossible to assess the adequacy of sector supervision. Conclusion: Not Met.
5. *Criterion 15.7:* AML/CFT obligations have not been extended to VASPs, and guidelines or outreach to VASPs regarding related measures are lacking.
6. *Criterion 15.8:* VASPs are not reporting entities, and there is no supervisory entity to enforce sanctions, limiting the application of effective sanctions against VASPs.
7. *Criterion 15.9:* Preventive measures and applicable ratings specified in other FATF recommendations are not applied to VASPs due to their exclusion from the AML/CFT system.

[5] Ibid, 16-18.

8. *Criterion 15.10:* Regulations concerning reporting or monitoring criteria applicable to VASPs are absent.
9. *Criterion 15.11:* Without a supervisory framework and authority, international cooperation related to money laundering and terrorist financing linked to virtual assets cannot be effectively provided.

These deficiencies, especially in meeting the requirements outlined in Criterion 15.3, significantly impacted Costa Rica's compliance with all the criteria of Recommendation 15. As a result of this shortfall, Costa Rica's status in regard to Recommendation 15 was downgraded from "Compliant" to "Non-Compliant". This downgrade indicates that Costa Rica's existing measures were deemed insufficient to meet the enhanced criteria set forth by the FATF in Recommendation 15, leading to a non-compliant status in this regard.

Following the assessment of the GAFILAT, Costa Rica has been actively working to strengthen its compliance with the FATF AML/CTF standards. Specifically, there have been efforts to regulate VAs and VASPs in line with the FATF Recommendations and, particularly, in regard to Recommendation 15. As such, a draft amendment law, which aims to subject virtual assets and virtual asset service providers to AML/CFT supervision by SUGEF (Spanish: *Superintendencia General de Entidades Financieras,* or General Superintendency of Financial Institutions of Costa Rica), was presented to the Legislative Assembly for consultation in October 2022, indicating Costa Rica's commitment to aligning its regulations with international AML/CFT standards set by the FATF. As of March 2024, this legislative initiative has not reached the stage of formal adoption, and the legislation remains under review.

Overall, Costa Rica does not yet have a regulatory framework encompassing virtual assets and VASPs within its Anti-Money Laundering and Counter-Terrorist Financing system. Consequently, the country does not meet the specified criteria outlined in Recommendation 15 of the FATF.

Definitions of Virtual Assets and VASPs

At this point of the legal assessment, it is important to emphasize that, in the absence of explicit definitions and characteristics of VAs, ICOs/ITOs and VASPs outlined in the legislation of Costa Rica, it is prudent to refer to established international standards. As such, turning to the definition and framework provided by the FATF seems reasonable within the context of our assessment, especially considering Costa Rica's requests to the GAFILAT to re-evaluate its compliance with the most recent FATF standards as well as advancements made by Costa Rica in rectifying the technical compliance deficiencies highlighted in the resulting MER. Given the international nature of VA transactions and the need for consistent regulatory standards, aligning Costa Rica's understanding of VASPs and ICOs/ITOs with FATF guidelines ensures a coherent approach. Consequently, assessing the very notion of a VASP and an ICO/ITO within the framework provided by FATF becomes crucial in the absence of explicit Costa Rican legislation, laying the groundwork for subsequent evaluations.

In the FATF Recommendations,[6] a VASP is defined as any natural or legal person who, as a business, conducts one or more of the following activities or operations for or on behalf of another natural or legal person:

i. Exchange between virtual assets and fiat currencies;
ii. Exchange between one or more forms of virtual assets;
iii. Transfer of virtual assets;
iv. Safekeeping and/or administration of virtual assets or instruments enabling control over virtual assets; and
v. Participation in and provision of financial services related to an issuer's offer and/or sale of a virtual asset.

In accordance with the updated Guidance provided by the FATF,[7] in an ICO/ITO, an issuer or promoter typically sells a VA in exchange for fiat currency or another VA. These ICOs/ITOs are usually announced and marketed online through various promotional materials. Issuers or promoters often publish a "whitepaper" outlining and marketing the project.

During an ICO, prospective purchasers are informed that the capital raised from the sales will be used to fund the development of a digital platform, software, or other projects. Additionally, it may be stated that the VA itself could eventually be utilized to access the platform, use the software, or participate in the project. Throughout the offering, issuers or promoters might lead buyers of the digital asset to expect a return on their investment or to anticipate a share of the profits generated by the project. Once these VAs are issued, they can be resold to others in a secondary market, such as on digital asset trading platforms or through VASPs.

The FATF has provided an extensive guidance on participation in and provision of financial services related to ICOs/ITOs in its Guidance.[8] According to FATF, the definition of virtual asset service provider ("VASP") is designed to encompass activities related to ICOs/ITOs. ICOs commonly serve as a method to secure funding for new projects from early backers. Specifically, the FATF definition of VASP covers individuals or entities involved in or providing financial services related to issuers' offers and/or sales of VAs through activities like ICOs/ITOs. These individuals or entities can be affiliated or unaffiliated with the issuer conducting the ICO/ITO, and their involvement spans various stages, including issuance, offer, sale, distribution, ongoing market circulation, and trading of a VA.

For instance, such involvement could extend to businesses accepting purchase orders and funds, acquiring VAs from an issuer for resale and fund distribution, and engaging in activities like book building,

[6] FATF, *International Standards on Combating Money Laundering and the Financing of Terrorism & Proliferation (*first published 2012, FATF 2023) 135 <www.fatf-gafi.org/recommendations.html> accessed 29 February 2024.
[7] Updated Guidance for a Risk-Based Approach to Virtual Assets and Virtual Asset Service Providers (FATF 2021) 30-31 <www.fatf-gafi.org/publications/fatfrecommendations/documents/Updated-Guidance-RBA-VA-VASP.html> (FATF Guidance) accessed 29 February 2024.
[8] Ibid 30.

underwriting, market making, and placement agent services related to ICOs. Additionally, other aspects of the VASP definition might also apply to businesses engaged in ICOs. Furthermore, the natural and legal persons associated with the issuance can provide services involving exchange, transfer, or safekeeping activities, falling under the FATF definition.

This is especially relevant for VA issuers who release the VA and offer/sell it through activities such as ICOs/ITOs. According to the FATF definition of VASPs, merely issuing a VA on its own does not constitute a VA service. However, individuals or entities that engage in the business of exchanging and transferring the issued VAs on behalf of another person would fall under the definition of providing VA services. Likewise, participation in and provision of financial services related to any ICO/ITO associated with the issuance of VAs is also considered a VA service.

Importantly, the act of creating software to issue a VA does not automatically classify the creator as a VASP, unless the creator also performs the covered functions mentioned in the definition as a business for or on behalf of another person. In other words, the role of a VASP is specifically tied to conducting covered activities as a business service for or on behalf of others, rather than the act of creating the software itself.

When determining how the definition of VASP applies to entities involved in an ICO/ITO, it is crucial to consider the following factors:

1. The elements comprising the definition of a VASP as laid down by the FATF definition, and;
2. Underlying facts and circumstances of the asset, activity, or service, rather than relying solely on labels or terminology used by market participants.

For instance, if a person creates a digital asset that meets the definition of a VA and sells it to purchasers, this person qualifies as a VASP if they conduct activities falling under any limb of the VASP definition, in addition to the issuance itself. In the context of an ICO, the individual selling the VA is considered a VASP if they engage in activities such as exchanging the VA for fiat currency or other VAs (limbs (i) and (ii) of the FATF definition of VASPs) or providing liquidity in the VA by acting as a market-maker following the ICO (limb (v) of the FATF definition of VASPs). Furthermore, businesses providing related financial services to facilitate the person's sale of the VA, such as acting as brokers or dealers, would also be categorized as VASPs under limb (v) of the FATF definition of VASPs, regardless of whether they are formally affiliated with the person.

Importantly, whether the customer intends to use the VA as an investment or as a means of payment does not alter the application of the VASP definition. The key determinant is the nature of the activities conducted by the entities involved, as outlined in the VASP definition, rather than the specific intentions or purposes of the customers purchasing the digital assets.

The significance of Initial Coin Offerings (ICOs) and Initial Token Offerings (ITOs) becomes apparent in this context. Notably, based on the assessment provided in the previous section of this legal opinion and in the absence of specific regulations governing VAs and VASPs in Costa Rica, it may be inferred that the regulatory framework in the country lacks a codified definition of both VAs and VASPs. Stemming from this conclusion, it is reasonable to assume that there is no formal definition or regulatory framework specifically outlining the roles and responsibilities of VASPs in Costa Rica and characteristics that, within the regulatory framework, would classify an asset as a VA. Therefore, this absence of virtual currency-related laws and regulations underscores the lack of clarity regarding the legal status and regulatory obligations of entities involved in virtual asset services, including cryptocurrency exchanges, wallet providers, issuers of VA-related products, including coins and tokens, and other similar service providers.

Therefore, the Costa Rican legislative framework simply lacks a legal basis for us to draw a conclusion on whether the person, natural or legal, must obtain specific authorizations or licenses from the competent authorities supervising the activities of VASPs. As of March 2024, these activities lay outside of the scope of the legislative framework in force in Costa Rica and, as such, remain unregulated.

Legal Framework Applicable to ICOs/ITOs in Costa Rica

In the scenario described above, the classification of a digital asset as a security under a country's laws introduces a different regulatory dimension. Depending on the specific facts and circumstances surrounding the ICO and the laws of the country in question—in the Company's case, Costa Rica—the country's securities regulations might be applicable. Consequently, whether the issuer of the digital asset is deemed a VASP or an issuer of securities depends on the unique elements of the ICO/ITO and the legal framework within that particular jurisdiction. Consequently, an individual or entity could find themselves subject to multiple regulatory frameworks based on the nature of their activities. Similarly, the digital assets used in such activities may also be subject to more than one type of regulatory framework, further emphasizing the complexity and need for careful legal consideration in the evolving landscape of digital asset transactions.

The significance of Initial Coin Offerings (ICOs) and Initial Token Offerings (ITOs) becomes apparent in this context. Notably, as of March 2024, Costa Rica stands out among other jurisdictions worldwide due to the absence of explicit provisions defining ICOs/ITOs and implementing specific rules and regulations governing their issuance. Unlike many other legal instruments in different jurisdictions,[9] Costa Rica has not implemented any explicit provisions delineating the concept of ICO/ITO or establishing a legal framework tailored to their unique requirements.

[9] For comparison, see e.g. the recently passed Regulation (EU) 2023/1114 of the European Parliament and of the Council of 3 May 2023 on markets in crypto-assets (also referred to as 'MiCA Regulation'), which sets forth the explicit definitions for offerings of different token types as well as regulatory framework pertaining to each offering type. While MiCA has not been transposed into the legislation of all Member States as of March 2024 due to the transitional period envisaged by the Regulation, some Member States, such as Estonia and Lithuania, have passed their own national regulatory frameworks concerning ICOs/ITOs prior to the formal adoption of the Regulation.

In this context, some other notable pieces of the Costa Rican legal framework become relevant to the assessment. In the absence of a clear legal definition of what constitutes a virtual asset under Costa Rican law, determining the regulatory status of digital assets, particularly in relation to securities laws, presents a nuanced challenge. To navigate this complexity, assessment must be approached from multiple perspectives, utilizing the existing legislative tools available in Costa Rica. It becomes imperative to evaluate whether VAs issued in Costa Rica can indeed be issued by any person or entity at all, given the absence of legal recognition, and whether they hold any status as legal tenders within the country. This evaluation involves careful scrutiny of the existing laws and regulations, incorporating insights from the positions of the local authorities, such as the Central Bank of Costa Rica ("BCCR"), to comprehensively understand the legal implications and regulatory obligations associated with digital assets operating within the Costa Rican jurisdiction.

Furthermore, the possibility of the token issue through an ICO/ITO is determined, *inter alia,* by the provisions of the legislative framework regulating the securities market and the issue of securities, in particular in regard to whether a digital asset issued by a person falls within the definition of a security and thus requires specific authorization for an issue. In such a case, the regulated entity must additionally ensure ongoing compliance with Costa Rican regulations, such as the Regulation No. 571 of 9 May 2006 – Regulation on the Public Offering of Securities *(Reglamento sobre Oferta Pública de Valores)* and Law No. 7732 of 17 December 1997 – Regulatory Law of the Securities Market *(Ley Reguladora del Mercado de Valores).* In this regard, the potential classification of the Token as a security and the obligation of the issuer to register the issue of the Token with the competent authorities rely on the assessment of the token's characteristics upon issuance.

Classification of VAs as Legal Tender and a Security

The statement issued by the BCCR and its Maximum Deconcentration Bodies (MDGs) on October 9, 2017, provides a clear position regarding cryptocurrencies, such as bitcoin, and similar digital assets.[10] The key points outlined in the statement are as follows:

1. Cryptocurrencies like Bitcoin are not backed by the Central Bank of Costa Rica. The country's legal framework designates the colón as the official monetary unit, and cryptocurrencies are not issued or endorsed by the Central Bank.
2. Cryptocurrencies cannot be considered legal tender in Costa Rica. They are not officially recognized as a means of payment, and their effectiveness for transactions in the local economy is not guaranteed.
3. The Central Bank and its MDGs do not regulate or supervise cryptocurrencies as a means of payment. These digital assets are not allowed to be traded through the National Electronic Payments System ("SINPE") in Costa Rica.

[10] Banco Central de Costa Rica, *Posición del Banco Central de Costa Rica (BCCR) y sus Órganos de Desconcentración Máxima (ODM) con respecto a las criptomonedas* (2017) <www.bccr.fi.cr/noticias/noticias-del-año-2017> accessed 29 February 2024.

4. Individuals and financial entities engaging in transactions involving cryptocurrencies do so at their own risk. The statement emphasizes that any acquisition or use of digital assets as a form of savings or payment occurs outside the scope of banking regulations and authorized payment mechanisms in Costa Rica.
5. Financial institutions are obligated to conduct risk analysis regarding new technologies, including cryptocurrencies, in compliance with anti-money laundering and terrorist financing regulations. If financial entities choose to be involved with cryptocurrencies, they do so at their own risk and that of their clients.
6. The Central Bank and its MDGs commit to ongoing monitoring of cryptocurrencies and related issues, considering recommendations from specialized national and international organizations.

Thus, the Central Bank of Costa Rica and its regulatory bodies explicitly state that cryptocurrencies are not recognized as legal tender, are not regulated or supervised, and individuals and entities engaging in cryptocurrency transactions do so at their own risk, outside the purview of official banking regulations. As a result, any issue of a VA conducted within the territory of Costa Rica lies outside of the scope of oversight of the BCCR, and the persons conducting any such issue are not required to obtain any authorization from the BCCR in regard to the issue.

In regard to the classification of a VA as a security, within the context outlined above, it is important to note that in accordance with Costa Rican Regulation No. 571 of 9 May 2006 – Regulation on the Public Offering of Securities[11] securities are defined as follows. According to Article 2, a security is defined as any economic or patrimonial right, whether incorporated in a document or not, that can be traded on a securities market due to its legal configuration and transmission regime.[12] Article 3 further specifies the financial instruments considered securities, encompassing shares issued by public limited companies, documents allowing subscription for shares, negotiable obligations from public or private issuers, documents defined as securities by law or commercial practice, and participation certificates of investment funds.[13] Article 4 introduces presumptions indicating the existence of a security, including documents related to investment contracts, certificates granting participation rights in trust assets (excluding testamentary or guarantee trusts), and products resulting from securitization processes and other structured products. This regulation provides a clear framework, offering a basis for evaluating digital assets within the context of securities law in Costa Rica.[14]

This regulation is crucial, particularly in the context of virtual assets. As such, if a VA is classified as a security and subsequently issued to the public through an ICO/ITO, it may fall within the scope of the prior authorization regime applicable to the public offer of securities as per Article 15 of Regulation No. 571. In

[11] Regulation No. 571 of 9 May 2006 – Regulation on the Public Offering of Securities *(Reglamento sobre Oferta Pública de Valores)*, 20 April 2006 (Costa Rica) <https://www.pgrweb.go.cr/scij/Busqueda/Normativa/Normas/nrm_texto_completo.aspx?nValor1=1&nValor2=57105> accessed 29 February 2024.
[12] Ibid, Article 2.
[13] Ibid, Article 3.
[14] Ibid, Article 4.

accordance with its provisions, only securities that have received prior approval from the General Superintendency of Securities are eligible for public offering in the primary market.[15] Therefore, any entity planning to conduct an ICO/ITO involving VAs categorized as securities must adhere to the established authorization procedures outlined in the regulation, ensuring compliance with Costa Rican securities laws and regulations.

Preliminary Conclusion

Taking the above-mentioned assessment into consideration, we conclude that the issuance of VAs in Costa Rica is governed by the following distinct conditions:

1. VAs are not recognized as legal tender, exempting them from the regulatory purview of the Central Bank of Costa Rica. Consequently, they operate outside the regulatory oversight of the country's central monetary authority and as such, do not require specific authorization from the BCCR.
2. Due to the absence of regulations concerning VASPs and the regulatory body supervising their operations, issuers are not obligated to obtain any VASP-related authorization for the issuance of VAs through ICO/ITO.
3. However, if a VA meets the criteria defining a security according to Costa Rican regulations, its issuance through an ICO/ITO might necessitate prior authorization. Such authorization is mandatory if the VA, classified as a security, is offered to the public. In such cases, compliance with the established authorization procedures becomes imperative to align with Costa Rican securities laws and regulations.

With that in mind, the following Section presents the assessment of the Token's nature in regard to its security status under the provisions of the securities laws and regulations of Costa Rice, followed by an assessment of the Company's business activities in relation to the ITO and the existence of the obligation to obtain the authorization of the General Superintendency of Securities for the issue of the Token through an ITO.

[15] Ibid, Article 15.

3. Assessment of the Token

Introduction to the Token

According to the Whitepaper provided by the Company, the Token was introduced as a native token within an ecosystem designed to enhance the DedaBit exchange's functionality and development, incentivize active participation and reward contributions, and receive rewards such as "Token retention privileges, the ability to vote on development programs, and receive special subscriptions."

DEDACOIN is designed to operate on multiple blockchains including Ethereum, Binance Smart Chain, Tron, and Polygon, providing accessibility to the Token across different networks. DEDACOIN has a fixed total supply of 2,540,000,000 tokens, with 635,000,000 tokens planned to be allocated to each of the aforementioned blockchain networks on which the Token is to be launched. The minting mechanism is locked to ensure controlled capital management, while token burning occurs based on introduced campaigns, with burned tokens transferred to a so-called null wallet.

In the nearest future, the Company plans to introduce its own blockchain, DedaChain, to lower the cost of transaction fees and increase the speed of transactions executed with the Token. For these purposes, the Company plans to allocate funds raised from the sale of the Token through ITO to the development of DedaChain.

Assessment of the Token's Nature

The table below presents the overview of the Token's main characteristics and features and provides their assessment against the respective characteristics of securities set forth by Costa Rican Regulation No. 571 as outlined in Section II of this legal opinion.

Feature	Feature Overview	Assessment against Securities Characteristics of Costa Rican Regulation No. 571	Assessment Conclusion
Token Release Methods	The release methods for DEDACOIN tokens are mainly designed to ensure transparency and active participation across various blockchain networks and activities within the DEDA ecosystem. DEDACOIN conducts an ICO and an Initial DEX Offering ("IDO") to distribute up to five percent of the total	*Article 2: Concept of Security* As per Article 2, a security is defined broadly as any economic or patrimonial right, whether or not incorporated in a document, that can be traded on a securities market due to its legal configuration and transmission regime. The main specifications provided for DEDACOIN as well as the Token	While the token release methods employed by DEDACOIN offer various opportunities for participation and engagement within its ecosystem, they do not exhibit characteristics that align with the definition of securities under Costa Rican law.

	Token supply. These offerings are facilitated through third-party exchanges, with detailed information regarding release timing, pricing, and cooperation methods available on the Company's official website and financial platforms like Coinmarketcap. In addition to the aforementioned mechanism of the Tokken issue through offerings, DEDABIT Exchange organizes campaigns, events, and activities where the Tokens are rewarded to users for their participation and engagement within the DEDA ecosystem. As such, DEDACOIN incentivizes trading activity on the DEDABIT exchange by allocating the Tokens as rewards to traders. Finally, DEDACOIN offers special privileges to select users, including access to exclusive services, features powered by artificial intelligence such as trading and analytical robots, discounts, and other benefits. These privileges aim to enhance the user experience for this group of users and foster loyalty within the DEDA community.	Release methods do not explicitly indicate characteristics that align with the definition of a security under Costa Rican law. *Article 3: Financial Instruments Considered Securities* The token release methods, including ICO and IDO offerings, reward mechanisms in DEDABIT Exchange campaigns, token rewards for exchange transactions, and special facilities for exclusive users, do not inherently exhibit characteristics of traditional securities outlined in Article 3. *Article 4: Presumptions about the Existence of a Security* ICO and IDO offerings of the Token, as described, aim for broad distribution among investors but lack the typical features associated with securities offerings, such as ownership rights or dividend distributions. While these offerings may provide investment opportunities, they primarily function as a means to distribute tokens within the DEDACOIN ecosystem. Similarly, reward mechanisms in DEDABIT Exchange campaigns and token rewards for exchange transactions incentivize user participation and trading activity but do not confer ownership interests or debt obligations typically associated with securities. These mechanisms serve to enhance user engagement and promote liquidity within the DEDACOIN ecosystem rather than represent traditional investment instruments. The provision of special facilities for	

		exclusive users further emphasizes the utility aspect of DEDACOIN rather than its characterization as a security. While these privileges aim to foster user loyalty and engagement, they do not confer ownership rights or entitlements akin to traditional securities the existence of which is presumed under Article 4.	
Distribution Strategy	DEDACOIN reflects a strategic approach aimed at balancing investor interests, supporting project development, fostering strategic partnerships, ensuring liquidity, and enhancing token value through transparent and accountable practices. As such, the Token is to be distributed in accordance with the following distribution schedule: **Investments (30%):** To safeguard the value of DEDACOIN tokens and support investors, 30% of the Tokens are allocated to investments, including the purchase of gold bars, investments in reputable international banks across various countries (such as America, Great Britain, and GCC countries), investments in stable assets like Tether, and participation in high-yield oil projects. **Allocation to Technical and Management Team (10%):** Ten percent of the total tokens are allocated to the technical and management team responsible for innovation and project advancement. This allocation incentivizes team members to contribute to the project's growth and development.	*Article 2: Concept of Security and Article 3: Financial Instruments Considered Securities* While DEDACOIN's distribution strategy involves various allocation methods, including risk-free investments, team allocations, rewards for strategic investors, liquidity pool allocation, and token burning, their classification as traditional securities under Articles 2 and 3 is debatable. *Article 4: Presumptions about the Existence of a Security* The allocation of assets for risk-free investments, such as purchasing gold bars, investing in international banks, and participating in high-yield oil projects, suggests a diversification strategy aimed at preserving the value of DEDACOIN. However, these allocations do not confer ownership rights or dividend entitlements typically associated with traditional securities under Article 4. Similarly, allocations to the technical and management team, strategic investors, and the liquidity pool aim to incentivize participation and support long-term project goals. While these allocations may bear resemblance to equity distributions, they lack the	DEDACOIN's distribution strategy encompasses various allocation methods aimed at fostering community engagement and supporting project development, providing evidence of the absence of traditional securities characteristics under Costa Rican law.

	Strategic Investors (20%): Twenty percent of all Tokens are reserved for strategic investors who play a vital role in achieving the project's long-term goals. **Project Liquidity Pool (20%):** Twenty percent of the tokens are allocated to the project liquidity pool, ensuring sufficient liquidity within the ecosystem to facilitate trading activities and maintain market stability. **Token Burning (20%):** Twenty percent of the tokens will be burned from the exchange's profit over a five-year period. Token burning helps reduce the token supply over time, potentially increasing the value of remaining tokens and benefiting investors.	formal characteristics of ownership rights or profit-sharing mechanisms inherent in traditional securities according to Article 4. The allocation for token burning from exchange profits over a five-year period suggests a mechanism to regulate token supply and potentially enhance token value. While token burning can influence token economics, it does not inherently represent a dividend or ownership right associated with securities.	
Token Burning	The token burning mechanism of DEDACOIN presents an approach to reducing the Token supply, enhancing scarcity, and potentially increasing the value of remaining Tokens. In particular, the Company has established a dedicated wallet for token burning, which is locked to ensure irreversibility. Tokens deposited into this wallet are permanently removed from circulation. In addition, various other wallets are designated for different purposes, such as safe investment, technical team, management team, key investors, and liquidity pool. Temporary burn wallets facilitate the distribution of burned tokens from specific project sections. In these wallets, Tokens are proportionally deducted from temporary burning wallets and deposited into the locked token burning wallet during the burning process, while the main burn wallet	*Article 2: Concept of Security* As per Article 2, securities include economic or patrimonial rights tradable on securities markets based on their legal configuration and transmission regime. Token burning involves the deliberate reduction of the total Token supply, aiming to influence the Token's value or tokenonomics. While Token burning may impact tokenonomics, it does not inherently confer ownership rights or dividends associated with traditional securities. *Article 3: Financial Instruments Considered Securities* Article 3 specifies financial instruments considered securities, including shares, subscription documents, negotiable obligations, and participation certificates of investment funds. The act of burning Tokens does not fit neatly into these categories, as it doesn't	DEDACOIN's Token burning mechanism demonstrates a structured approach to reducing the Token supply, enhancing Token value, and maintaining investor trust. As such, DEDACOIN's token burning mechanism, while impactful on token supply dynamics, does not exhibit characteristics that align with the traditional understanding of securities under Costa Rican law. In a broader context, token burning is a common practice in the cryptocurrency field, often used to manage token supply and incentivize holding. However, its application doesn't inherently categorize the Token as a security under traditional definitions.

	remains locked indefinitely.	represent ownership in a company or traditional investment instrument. *Article 4: Presumptions about the Existence of a Security* Token burning, as a mechanism unrelated to investment contracts or participation rights, does not align with presumptions laid down in Article 4.	

Therefore, on the basis of the provided information and the characteristics of the Token, it is our legal opinion that the Token issued by the Company does not fall under any of the specified categories outlined in the Costa Rican Regulation No. 571.

Assessment of the Obligation to Obtain a VASP License

The absence of specific regulations governing VASPs and the lack of a regulatory body overseeing their operations in Costa Rica imply that the Company is not legally obliged to obtain any VASP-related authorization for the issuance of the Token through the ITO. The current regulatory landscape in Costa Rica does not encompass a defined framework for VASPs, freeing the Company from mandatory compliance with authorization requirements related to VASP activities. Consequently, the issuance of VAs through ICOs/ITOs is not subject to specific supervision, allowing the Company to proceed with its planned Token offerings without the need for VASP-related authorizations in Costa Rica.

Assessment of the Obligation to Obtain Authorisation for Issuance of the Token to Public

The Token issued by the Company does not fall within any of the specified categories characterizing a security as outlined in the Costa Rican Regulation No. 571, which defines securities as economic or patrimonial rights tradable on a securities market based on their legal configuration and transmission regime. Consequently, the obligation to obtain authorization for public offering, as stipulated in the Regulation, does not apply to the Company and the Token. Since the Token does not meet the criteria outlined in Costa Rican securities regulations, the Company is not obligated to register it for public offering through an ITO. This exemption from registration requirements provides the Company with flexibility in its token issuance activities, ensuring compliance with the existing legal framework while enabling the Company to proceed with its offerings without the need for additional regulatory authorizations in Costa Rica.

4. Conclusion and Recommendations

In conclusion, after a thorough analysis of the Company's proposed activities related to the issue of the Token through an ITO, the applicable regulatory frameworks in force in Costa Rica, and the guidelines provided by the FATF, it is our opinion that the Token issued by the Company does not fall within the category of a security as defined by the Costa Rican Regulation No. 571. The Token's design and utility, as outlined in the overview of the Token's features provided by the Company in the Whitepaper, demonstrate its primary function as a means of access to the Company's platform and its associated benefits, rather than representing an investment in the profits of the Company, therefore, making it a utility token.

Furthermore, it has been established that the Company's activities related to the issuance of the Token through an ITO do not necessitate the acquisition of any specific license or authorization under Costa Rican laws.

It is crucial to note that this legal opinion is contingent upon the accurate and complete representation of the Company's activities as provided. Any deviation from the outlined activities or modifications in the regulatory landscape may require a reassessment of the Company's legal obligations under applicable law. To ensure that the Token retains its status as a utility token and remains compliant with existing regulations while minimizing the risk of falling under additional regulatory requirements, we recommend the Company to consider and implement the following measures:

1. **Maintain transparency in all communications**, especially in the Token's Whitepaper and other information/marketing materials. Clearly articulate the utility and purpose of the Token, emphasizing its functionality within the Company's ecosystem.
2. **Ensure that the Token has a clear use** within the Company's platform, allowing holders to access specific services, products, or benefits. Monitor and update the Token's utility to align with the growth and expansion of the Company's offerings.
3. **Refrain from offering features that resemble traditional investment products**, such as profit-sharing, dividends, or guaranteed returns. Emphasize the Token's usage rather than its potential appreciation in value. Avoid introducing features that grant the Token holders rights similar to shareholders or owners. Clearly state that owning the Token does not entitle holders to a share of the Company's profits or governance rights.
4. **Exercise caution in marketing practices.** Avoid making promises of the Token price growth, but focus on communicating the potential growth and value of the underlying project. Ensure that marketing materials and promotions do not create unrealistic expectations regarding the Token's future value.
5. **Periodically review the legal landscape** and regulations governing virtual assets in Costa Rica and other relevant jurisdictions. Stay informed about any changes and adapt the Token's features if necessary to remain compliant.

6. **Establish an ongoing relationship with legal counsel** knowledgeable in blockchain technology and virtual assets. Regular consultations can ensure that the Company remains updated on regulatory changes and industry best practices.
7. **Uphold a high level of transparency in all operations.** Clearly state in all communications that Tokens do not represent ownership in the Company, preventing any misconceptions among potential buyers. Implement robust anti-fraud measures to prevent scams, Ponzi schemes, or consumer fraud related to the Token.
8. **Foster an engaged and informed community.** Address questions and concerns promptly, ensuring that Token holders understand its utility and the Company's vision. Provide clear and accessible resources explaining the Token's functionality and purpose, emphasizing its usage within the Platform's ecosystem.
9. **Periodically update Token holders and the community** about the Company's developments and any changes in Token functionality.

By adhering to these recommendations and maintaining a proactive approach to legal compliance, the Company can mitigate the risk of additional regulatory requirements and preserve the Token's status as a utility token within the framework of the applicable laws.

This legal opinion was issued on 1 March 2024, in Tallinn, Estonia.

Juliia Miroshnichenko
Lawyer of LegalBison

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