



TOKENALYSIS

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I. A few general things to consider - tokenality:

1. Is the token being acquired by investors seeking a return on investment (ROI)?
2. Is the token being acquired by investors in order to become a member and/or be admitted to a group (i.e., includes an offer of benefits, perks, and privileges)?
3. Is the token being acquired by investors to hold, store and/or use (i.e., like gold)?
4. Is the token being acquired by investors for sentimental value and for appreciation (i.e., baseball cards have limited editions, historical significance)?
5. Can the token being acquired by investors be used in a manner similar to Frequent Flyer Miles (i.e., tokens can be earned for certain actions (i.e., every mile travelled or for every dollar spent), encouraging loyalty through those rewards)?
6. Can the token being acquired by investors be used/redeemed as a Digital Coupons?
7. Is the token being acquired by investors be different than a coin - they are distinguishable as follows:

A *coin* is a cryptocurrency which represents a store of value, a medium of exchange, and a unit of account within the blockchain. There are only two things you can do with a coin:

- i. Use it to pay the transaction fees in a system.
- ii. Trade it to someone else.

If it does something more, it's a token.

A *token* is an IOU. It is a contract, representing rights and obligations. The only token that isn't a contract is an unissued token that is "on the shelf." Once a token is issued, it represents value. Examples of tokens: a poker chip, concert ticket, stock certificate, bond, coat-check token, dinner reservation, driver's license, passport, airline ticket, etc. A dollar bill is a token, but a dollar is not. This is what a digital token looks like:

1HieAFgpQdrVLN8GPFMfG8yMcDxDsrXiLN

Tokens always have:

- an issuer
- a substrate (carrier)
- a system it is meaningful in
- a value to someone
- some way to use them

Some tokens are identical (tickets to a party), and some tokens are unique (train tickets). They can be transferable (=tradable) or not. Tokens that are unique and transferable are said to be of the same species (=from the same smart contract).

	Identical	Unique
Transferable	Poker chips Discount codes	Utility tokens
Nontransferable		Prescriptions Identity Passwords

A password isn't a token, because it doesn't have a substrate, but a password written on a piece of paper becomes a token. Most tokens have some kind of anti-counterfeiting measures.

Tokens can potentially: be used as a store of value, be used as a unit of payment, be used to pay fees, have identifying artwork and anti-piracy features, eventually become a unit of account, be traded, be identical, be unique, carry a payload, grant rights or access, be tied to other tokens, be used as inputs to smart contracts, and more.

8. There are varying types of tokens:
 - a. Blockchain tokens that function as digital currencies (i.e., Bitcoin)
 - b. Blockchain tokens that can be used in new protocols and networks to create distributed applications (i.e., App Coins or Protocol Tokens) – these are based upon business models that are decentralized
9. Other considerations:
 - a. Securities laws
 - b. Anti-money laundering laws
 - c. Federal tax laws
 - d. Consumer protection laws
 - e. Money transmission laws
 - f. Controlled Substance laws (i.e., Schedule I Narcotics)

II. Questions to ask about Tokens:

1. The who, what, where when, how and why of Tokens.
 - a. Who created the token?
 - b. Who are the users of the token?
 - c. Who is the token useful to?
 - d. Who determines the supply of tokens?
 - e. What is the token called?
 - f. What is the function of the token?
 - g. What is the network on which the token is to be used?
 - h. What is the protocol of the network?
 - i. What is the role of the token?
 - j. What is the purpose of the token?
 - k. What can the token do?
 - l. What are the features of the token?
 - m. What are the rights associated with owning a token?
 - n. What is the roadmap for the token and network development and implementation?
 - o. Where can the token be acquired?
 - p. Where can the token be used?
 - q. Where can the token be traded?
 - u. If not now, when can it be traded and on what exchange(s)?
 - r. When is a token issued?
 - s. When and under what circumstances can the token be transferred?
 - t. When and why is the token needed?
 - v. How do tokens get created?
 - w. How do tokens get earned and issued?
 - x. How will token usage be implemented?
 - y. How will the supply of tokens be determined? (what is the maximum number you would like to “authorize”?)
 - z. How will the price of tokens be determined?
 - aa. Why would someone want to have the token?
 - bb. Why will someone be encouraged to acquire and/or use the token?
 - cc. Why would I rather have the token than a cryptocurrency or a fiat currency?

2. Is the token equity, debt, a derivative or convertible security, or is it something else?
 - a. Equity – common stock, preferred stock, or some other class of stock?
 - i. If equity, then what are the rights, privileges and preferences of the security?
 1. Voting
 2. Dividends
 3. Liquidation
 4. Redemption
 5. Priority
 6. Events of Default

7. Profit Participation
8. Convertibility
9. Other rights – Preemptive, MFN, ROFR, etc.?

- b. Debt – if debt, when is it repayable? And are there some additional rights (i.e., dividend or profit rights, sinking fund, security, redemption, convertibility, preemptive or first refusal rights)?
- c. Derivative or convertible – what is it a derivative of or what is it convertible into?

3. Utility features of the token

- a. What does the token do?
- b. Why do I need a token to do it?
- c. Why is the token unique?
- d. Where can I use the token?
- e. Is the token industry specific?
- f. Does the token represent value (prepaid or stored value)?
- g. Can the token be exchanged for goods, services or other form of currency?
- h. Will the token be traded?

4. Currency Features of the Token

- a. Can the token be used to buy or pay for goods or services?
- b. Can the token be exchanged for other tokens or currency?



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