<u>Spendcoin Response to Both Jurors</u>

Thank you for your thoughts and I must say this is rewarding experience to see how this Kleros governance/trial model works. I would like to make a few arguments to your point of views.

I would like to start with Juror #2 Notice:

You stated the following: The Challenger provides many evidences to call into question the 10% being distributed. The Submitter provides many explanations that seem also good. However I see no definitive proof, so I think it can be one or the other. As juror, if a point is not provably true or false should we reject it or accept it?

My understanding of the Kleros Court system is that the way to obtain a badge is to apply for one. **<u>IF</u>** there are no challenges than you automatically by **default get one.**[1] Where the jury gets involved if there is a Challenger disputing the fact of eligibility of a badge based on a the guidelines. Assuming arguendo, one's point of view should be that if the Challenger is the one making the dispute of the facts that the Submitter is assuming is correct, the burden of proof should be the Challenger. So to your second point that if it can't be proved it should be rejected, I believe in my humble opinion that's not show it should be. With all due respect, I believe the Challenger has the burden proof because they are the one who are raising the challenge of the facts and stand to earn a compensation. They are incentivized to distort the facts to their favor and thereafter the Submitter must challenge it.

For us to lie about distribution isn't a factual matter of law. Our schematic from the beginning has not changed. Our distribution of tokens have not changed to our users. For us it would not make sense to lie on record on this topic as we have a community who is following this. For us to share the details of our distribution is in violation of any privacy policy terms and conditions we have. If this were a normal court, we would ask to file a record under seal to prove this point but not violate any privacy rights of our users. Here this is challenging, as we do not have that method. I hope that Kleros can build a "Under-Seal" feature in the future as this might help resolve issues that would violate privacy but answer these questions.

Nevertheless, this goes to my original point of view, that the Challenger is the one creating the dispute, therefore the burden should be on them. **<u>IF</u>** there were no dispute, Spendcoin would of automatically received a badge and not have given the jury the opportunity to evaluate the conditions.

The best evidence I can give without exposing user privacy would be a affidavit from a user, that is redacted, showing evidence of them receiving their coins. But even still, I don't believe this would efficient. My best argument here would be the matter of the system. The system would be that if there was no challenge that Spendcoin would automatically receive a badge,

[1] https://blog.kleros.io/the-ethfinex-listing-guide/

therefore your interpretation of burden of proof should be that in similar of law, the challenger has that burden.

Your second concern of staking is also by definition:

“The Submitter means a deposit when they say the token is being staked[2], not staking how it is normally used for a token.”

Staking by definition can be construed as to possess or claim, a certain object, in this case Spendcoins.

Now the reason I disagree with this comment:

3.1.1 because it is not utilizing the blockchain at all or making use of the cryptographic properties of a token so it cannot be used to show novel technology in development

Is the following:

Answer: “In development” is the key word here. Spendchain is building[3] a whole blockchain that will use Spendcoin in a cryptographic means. Therefore, if you see the White Paper the novel technology is being built and shows that the on-chain cryptographic property of the token is in development.

To go more in-depth about the KYC it is good to understand that this is not a main or important part of the blockchain as it can be fully voted out by Validators. So to answer this as coherently as possible KYC is a very minimal part the system and ONLY deals with fiat settlement feature (1 feature out of dozens).

Validator are not responsible for KYC on each other, Financial Nodes are only required to submit KYC through an encrypted transaction. There is no where, in our white paper that states that validators need to be KYC'd. Financial Nodes do if they want to use Fiat Settlement. Please indicate where in the White paper do you see that Validators need KYC because that is not the case whatsoever, and Validators are what run the network.

The KYC standards are also suggested in the white paper but may be voted out by Validators. The bottom line here is the white paper gives you an idea of a financial blockchain. Due Diligence means if there is a bad operator you kick them out. Same in other Proof of Stake

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[2] https://www.dictionary.com/browse/staking

[3] https://github.com/Spend/Spendchain

blockchains, if you have a bad actor you kick them out that's the point of staking. KYC is just a layer 2 feature of fiat settlement not part of the blockchain itself.

Example:

To become a Validator you need to be simply voted in by weight, no other hard requirement is needed. Top 41 by vote weight become validators. The network is responsible for securing the network and ensuring nodes are behaving properly without malicious intent. If they see malicious attempts as described in the White paper they can loose a lot and be voted out of the network by consensus.

For KYC, the only time this would be required would be from a fiat standpoint as it would be settling from a bank and would require that information to be provided. Again, a Layer 2 approach not a primary driver of the blockchain.

Lastly for Juror #1, I would like to point to the top of this response as well to who the burden of proof belongs too.

Thank you for your times.