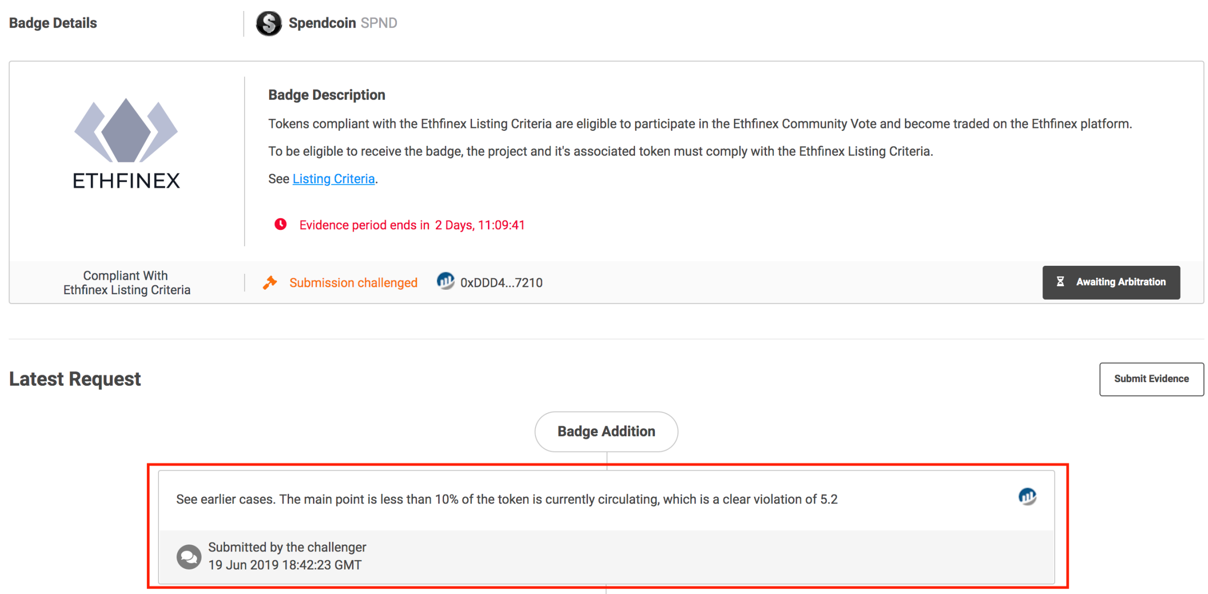
Now that the Challenger has conceded on the fact that Spendcoin meets the 10%+ circulating count requirement they have shifted their entire argument to new alleged violations. It is important to note the following:

1. The challenger notes in his very first dispute record that the reason why we were denied a badge was due to the 10% circulating count not being met for Item 5.2



2. Thereafter the Challengers whole argument was centered towards not meeting the Ethfinex 5.2 Requirement. Spendcoin finally had an opportunity to thoroughly respond to all the false allegations of distribtution to prove that it meets the requirement for 5.2 by a long shot.

The Challengers “New Argument” document is a completely assumptious, and does not back up any evidence of their allegation. The fact is they actually still fail to understand the Spend ecosystem and seems as though they are throwing a “hail marry” now to raise issues that were never previously raised. Since Spendcoins reason of denial was due to the 10% circulating count, Spendcoin should be given a badge by default now that its proven that this issue is met. However in an abundance of caution, we will show how each of the allegations of the Challengers “New Argument” are factually incorrect and are a misrepresentation of the facts designed to confuse and mislead the jurors.

First Issue:

“I still find it suspicious that $76,000,000 was spent in the span of 3 (my mistake) months. This is the sort of transaction volume that large centralized payment platforms have. In any case, I don’t see any way we can prove what amount on Bitrex is in custodial accounts and what amount is held by Spendcoin since the transactions happen off chain (which is a red flag on token utility in itself). The timing of the movements to Bitrex and the requests for the badge still remain dubious to me but I will cease arguing this point as at this point it is conjecture.”

Answer: $76,000,000 in volume over 90 days equates to approximately $844,444 in daily volume. If you compare that to the challengers "large centralized payment platforms" they do anywhere between $2 million to $2 billion dollars[1] a day **daily**. That would equate to a range of $180,000,000 to $180,000,000,0000 in volume during the 90 day period. Considering Spend has 23 supported assets that are all exchangeable with eachother and can be bought, sold, and spent, that would give them 529 exchange pairs which outshines the most of the top 100 available trading pairs. Therefore, an educated and logical view of this issue would show that the number that the Challenger finds "suspicious" is just a word used to confuse jurors. There is nothing suspicious at all based on market data. The second problem in this paragraph is the custodial issue which we have proven previously through an on-chain flow that the addresses described by the Challenger are infact the custodial addresses that all user funds go where all digital assets are held. Jurors are encouraged, if they are hesitant to believe this, to download the Spend App and try it out, but we believe our on-chain diagram and proof are sufficient here. The last issue raised here is the timing, yet the issue at hand is the Challenger didn't check to see when we got listed and started working on Bittrex with our public launch which was February. (February to June is our period so far).

Second Issue:

"There is no aspect of Proof-of-Purchase protocol that needs to use a token. It is a misnomer as we have determined that the purchase log is actually off chain anyways. There is no existing cryptographic proof and the token plays no role in securing a trail of transactions. Therefore the MVP product that they have does not satisfy the requirements as the token has no non-contrived use in the current system of the Spend App. This has been argued extensively in previous challenges. The "utility" of Spendcoin, at this current moment, is to be given out as a reward for the app's users. But there is no reason it could not be fiat given as a reward, or BTC or ETH or any other existing token with a value. The token has no cryptographic purpose in its current use."

Answer: The first sentence is a **highly** biased/opionionated remark. When a project is launched with a product and white paper it explains the ecosystem and how it will operate. All of our happy clients who use our platform know what the benefits are and how the ecosystem works. Proof-of-Purchase is one method of Spendcoins. The Challenger has forgotten, or is materially omitting the fact that Spendcoins have other uses in the ecosystem. For present day utility Spendcoins are required to stake/lock to receive the higher tier cards that have the better benefits.[2] Therefore, Proof-of-Purchase is just a distribution and mining/rewards tool designed, since the beginning, to use the ecosystem. Every company has a different use case for their token and actually can run their product without a token. The issue here is the Challenger thinks Spendcoins are just used for Proof-of-Purchase. Even though we disagree with his logic

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[1] See CoinMarketCap Adjusted daily volume reports: https://coinmarketcap.com/rankings/exchanges/

[2] Please see https://spend.com/cards to see the requirements for the higher tiers upon clicking the card type and pressing "reserve now" 25,000 SPND is required for the Preferred Card and 250,000 SPND is required for the Black Card membership.

of use for Spendcoins, he fails his argument because he is singling out Proof-of-Purchase as the only method of the token. The same way, for one example, PNK tokens are used to stake in Kleros to become a juror to then have the ability to earn through participating in the network, applies the same principasl to our MVP product. A user has to stake SPND to become elgibile to earn the higher tier cards and subsequently get higher benefits including their own Proof-of-Purchase rewards. The token **today** has a utility. Bittrex listed SPND in the USD and USA markets because it has received a full legal opinion in the USA (the highest level of regulation) because it has present day utility. The Challenger suggests another form of rewards, but defeats the point of the ecosystem Spend created. Spend chose to make its proof of purchase reward in Spendcoins and users agreed to use it as such. The same argument is meritless as it can apply to any project in Crypto, but isn't valid. **In sum, the users description of Spendcoin being a strictly a rewards currency fails as Spendcoin is used to stake for services/memberships and more.**

Second Issue:

"62% of the total supply of the token has been earmarked for the purpose of giving rewards to those that use the token, but what happens when this 62% pot runs out? Now suddenly spending Spendcoin has no more utility as you are not given a kickback for using it. This model is unsustainable and Spendcoin will become useless"

Answer: This is absolutely far from the truth. The 62% set aside for rewards are to fulfil Proof-of-Purchase rewards. The main utility of Spendcoin today is to stake to receive the higher memberships. As more Spendcoins are staked there is less available for users greating a utility in its self. The user will loose substantial proof-of-purchase rewards when they unlock[3]. Also there is a whole revenue model the Challenger is missing that is how Credit Card companies give 3-4% rewards back. The Challenger fails to understand the business logic of cards and also fails to understand the economics of the Proof-of-Purchase rewards program and how Spend VIP plays a big role it. That is like saying when BTC is completely mined there is no more utility for the miners. There are always fees to collect and other use cases for a token. Spendcoins will be the run the Merchant, Validator, and Settlement Nodes as well as use to receive higher tier memberships in Spend App/Card.

Third Issue:

"I take from this, that trading Spendcoin also gives you this kickback, which I was unaware of before. This would account for how so much was distributed in such a short time and how they are able to get this high number of "payments" processed. It also however puts Spendcoin in violation of 1.1.2. If you can get the reward for trading Spendcoin, this creates demand for Spendcoin by people who want to acquire it so that they can wash trade it and be given a dividend like reward. They retain their holdings after the wash trade and are given a reward on top based on their holdings. This essentially acts as a dividend. On these grounds, with its current use, it also violates 1.1.2. This demand will be there until the finite reward pool for

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[3] See https://spend.com/cards and click the lock and unlock icons next to the rewards

sending the coin back and forth dries up, and then suddenly this demand for the token will be gone and there is no other utility for the token."

Answer: There are terms and conditions for Proof-of-Purchase[4]. A user can't abuse the system by Wash trading. There are monitoring tools for this exact issue and users are aware of these terms when using the system. The rewards actually is not applicable for use of Spendcoins and is excluded if you read the terms. The Challenger again though is pointing to Spendcoins only utility being Proof-of-Purchase which is **factually wrong** as that is not the only utility. Today's utility includes staking for services and actually being able to Spend Spendcoins in real life. Future utility is to run nodes and secure the network. Nevertheles, wash trading is monitoring in real time. Spend.com has spent a lot of money (hence the domain) to run a fully compliant and secure network.

Fourth Issue:

"The general economic incentive system of the blockchain is as follows:
- Validators are incentivized to secure this blockchain because they receive Spendcoin as inflation rewards.
- Merchants are incentivized to use this blockchain because they can give their customers kickbacks that aren't out of their own pockets (from the Network Distribution Fund).
- Settlement Nodes are incentivized to use this system so that they can charge fees to convert Spendcoin to USD directly for the Merchants for a fee.
- Customers are incentivized to use this blockchain for the temporary discounts."

Answer: We will answer each representation above here:

1. Yes, Validators are incentived to secure the network are they earn block rewards for each block mined (in this case forged as its Proof-of-Stake)
2. Merchants are the ones putting together their funds to rewards shoppers to shop. This is a blockchain based Spend.vip program[5]. The actual distribution of these rewards are as following (See Page 19/20 of Whitepaper[6]):

   "Client Rewards Consumers making purchases from Merchants running Spend Pay will be able to enjoy up to 20% rewards back funded by the network's distribution protocol through its Proof-of-Purchase protocol. These rewards are based on Merchant & Validator node approvals and is unique per Merchant Node based on its marketing plan and strategy for the network."

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[4] https://www.spend.com/terms-of-use/#Rewards Rewards T&C's.

[5] Spend.vip is the program designed to rewards shoppers up to 20% when they shop at select merchants. These programs are funded by the merchant not the program. The way this works currently by using the Visa network is called "Card-Linked-Offers". Card linked offers are designed to encourage shoppers from a platform by giving them a reward. Think of ebates, Yelp Cash Back, etc.

[6] https://spend.org/docs/Whitepaper.pdf

The networks distribution protocol is not a pool of funds. The Challenger mistakens protocol to equal pool **which it does not.** These rewards are designed just like Card-Linked-Offers to reward users when they shop. This is a business model designed for retailers to pay clients of platform to shop like ebates.com. Spend is very knowledgeable in the payments space and has already signed up a program for Spend.VIP for card linked offers of up to 20% for their Visa Card. This will now go on-chain to merchants with the same logical principiapsl of marketing they use to fund these offers. In sum, merchants fund these offers not the network. The distribution pool set aside to fund Proof-of-Purchase is only as an initial mining tool. Thereafter these benefits are paid by the merchants in that retrospect.

3. Yes that is correct Settlement Nodes are incencentived to Stake 5 million SPND tokens to settle transactions to USD to collect the conversion fee (~1%)
4. Customer are incentive to use the blockchain as it is low to no fees when using Spend Pay and they can earn rewards from the merchant.

Fourth Issue:

"Once this pool of funds for kickbacks dries up, the entire incentive structure collapses. At the current burn rate of 6% every 3 months, this fund will be depleted in roughly 2 years. Once there is no more discount for Merchants to give out, customers have no reason to use Spendcoin as it does not offer any advantages over other blockchain platforms. There are plenty of options that offer high TPS (such as Cosmos, the blockchain that Spendchain is a fork of) or more privacy. This dries up the entire ecosystem and validators have no more incentive to keep the chain secure."

Answer: This is a misrepresentation of the facts as the Challenger fails to understand the ecosystem. The distribution allocation set aside will eventually be fully dispersed. However, the Challenger fails to understand how Spend.VIP works and how the merchants will pay the rewards in the future in the same fashion they are doing today through Card-Linked-Offers and other reward platforms like ebates. The same principles apply here but using the blockchain for on-chain transactions. Merchants give out the benefits not Spend. Currently the rewards given out by Spend are the up to 6% designed from distribution protocol. Proof-of-Purchase is designed to reward users for purchases. They can earn up to an additional 20% through the Spend.VIP network (which can amount up to 26%). Once the distribution allocation runs out that doesn't mean users will still not earn Spendcoins. They will just another party is paying for it as a marketing incentive. Spend thought long and hard before coming out of stealth to understand all payment incentives and merchant operations. The leadership team has decades of these specific experiences to bring these ideas onto the blockchain. Also there again, the Challenger fails to understand the utility of Spendcoins and only singles out the Proof-of-Purchase as the only means of utility. So their argument fails as it is meritless to the reasoning above and the other utility mentioned prior. And, just as a laste point, Validators are always incentive to secure the network as they earn block rewards.

Fifth issue:

“Now onto the blockchain itself: It can be argued that even when the kickback incentive system is gone Spendcoin might have value because transacting on this particular blockchain has value on it’s own. However I will show that this is not a novel technology. In fact, I see no use for a blockchain here at all.

In the system the Validators become the equivalent of the banks. In the event of a disputed transaction they determine whether the charge-back should be executed, and therefore it is not seen as foul play for them to undo transactions on the chain (whitepaper pg 21).

Answer: This is highly opionionated remark and completely biased. If the jurors read the white paper they will see something that is remarkable. Spend is bringing an entire payment system on the blockchain and plans to use Secure Enclaves with Intel SGX to secure transactions on chain. The whole blockchain is designed to run as its own bank and merchant system through a distributed system. Validators are not the equal of banks. Settlement Nodes are. There is a complete dispute system designed for Validators but requires consensus of 2/3 of the nodes to occur. Spendchain whitepaper is a draft and if more work needs to be done here it will .The concept, vision, and current MVP products outweighs any of these arguemnents.

Sixth issue:

“All Merchant and Settlement nodes must pass KYC (whitepaper pg 12). Since KYC is inherent to the blockchain, this platform cannot ever be fully decentralized and the team will have to maintain some control over the blockchain and validator nodes in order to enforce this. Therefore they also violates 1.1.5 as there needs to be a central authority to enforce KYC.”

Answer: There are decentralized methods of Identity such as Civic or others to use. The team will not responsible, the voted validators will to ensure the network protocol is being operated correctly. Validator nodes and those who vote for the validators are responsible for this enforcement. That is the point of a blockchain. That is the point of Spendchain that the Challenger is missing. Nevertheless, Spendcoin meets current day utility as well by being used a stake tool for Spend App.

Seventh Issue:

“What this boils down to is a network consisting of a small number of trusted nodes who share a ledger of transactions that can be amended. They are known parties who exchange assets and goods and therefore have recourse off chain. The blockchain does not guarantee financial finality or anonymity for the parties interacting on it and therefore does not give any significant benefits over a centralized system.”

Answer: Spendcoins have present day utility on a MVP Network. The network when launched on Spendchain consists of 41 validators which is not a small number. This number might be increased to 101 later on as well, as the Spendchain Technical Whitepaper is a draft. The white paper that is in place now for the MVP products are here: https://spend.com/docs/WhitePaper.pdf . The blockchain does represent finality as it is a 1 blockchain confirmation finality using Cosmos SDK and Tendermint as well as Spend Pay is the only feature that has a dispute process to protect shoppers and merchants. The entire blockchain does not have a dispute process just the PAY feature. So transactions made without Spend Pay do not have a dispute process.

Seventh Issue:

“Conversion services from crypto to fiat can already be obtained by merchants from established services like BitPay and Coinbase with the same risks/tradeoffs. The utility of the blockchain hinges on the disposable pool of Spendcoin that makes it an enticing place to transact for customers until the funds are gone. Once this is depleted there is no more use of the blockchain that cannot be obtained by existing services.”

Answer: This is a highly opinionated issue. The whole point of competiton is for companies to come up and obtain market share. I would disregard this issue as the utility they claim only attacks Proof-of-Purchase which we explained above is not the only utility and how it works when it gets fully distributed

Laslty:

“Summary: Therefore I hold the badge should be denied for all of section 3.
- The tokens has no utility other than being a reward to collect a kickback of a finite pool of tokens so it violates 3.2.
- There is also no novel blockchain concept being developed here so it violates 3.1. The current Spend App is not a viable MVP because it has no inherent cryptographic need of Spendcoin. The open source repository for Spendchain is essentially a fork of the Cosmos blockchain with minimal extra code committed to it. https://github.com/Spend/Spendchain. The whitepaper does not provide sufficient evidence of novel technology. The economic incentive system is not sustainable and it does not provide any of the benefits of blockchain. A centralized network would work just as well for this planned system.

Additionally there are some major concerns on it passing Swiss securities law. - The token currently acts as a dividend giving instrument. This is a violation of 1.1.2. - There needs to be some central control over the project indefinitely as parties need to go through KYC in order to be a part of the blockchain. This is a violation of 1.1.5.”

Answer: We will answer each point of this issue at hand:

1. The token has plenty of present day utility to stake for services and in the future when Spendchain launches to run Settlement, Merchant, and Validator nodes as well as goverance voting of the network.
2. Spendchaind and Spend.com all have novel technology that is in a niche market with low number of competitors as in comparison to other niches.
3. Spend App does require Spendcoins to use the higher tier services. Spendchain is a Cosmos SDK and Tendermint based blockchain that will be highly customized in its road map of features and whitepaper (https://spend.org/roadmap)
4. The economic benefits are highly sustainable. The challenger doesn't understand Interchange and Merchant Rewards networks which is how Spend will operate after the distribution incentive runs out (see ebates.com)
5. Spend fully passes all securities law frameworks. It is listed on the Bittrex USD market and USA market which required extensive legal opinion about the framework of the token. The token never held an ICO and was launched when utility was available for immediate use. Once Spendchain launches there will no central control. All these allegations are meritless without evidence.

Summary

Spendcoin meets all listing requirements. Previously it only failed on the 10% requirement which it now has met. These new raised arguments are meritless as they do not address any issues that are not refuted with evidence of the network and explanations from Spendcoin.

Thank you jurors.