

Spendcoin keeps claiming that the token has utility because you need to stake it for VIP features in their app. Requiring a token for in-app purchases, or getting additional kickback rewards does not give it utility. The staking is not serving any purpose of securing the Spendcoin system. It is just a contrived way for them to try to get users to purchase and hold Spendcoin. There is no reason why you can't pay for VIP services with ETH or USD. The entire Spend App ecosystem is centralized in their custodial accounts so the idea that there needs to be a proprietary token for utility in this ecosystem is nonsense.

The case for why utility doesn't exist from spending rewards is spelled out in my previous evidence.

As for future token utility. Spendcoin has no utility in the proposed Spendchain system and this will lead to the collapse of the proposed system if implemented as is laid out in the white paper. I will explain this below.

- a) Spendcoin as a governance token makes no sense. All of the parties in this ecosystem are trusted. Parties must be KYC'ed. It says on page 9 of the whitepaper. "Validators are required to perform due diligence on all Validator and Financial Nodes operators prior to joining the network.". So if a Validator has to be KYC'ed and pass "due diligence" from existing nodes, not anyone can be a Validator node and existing Validator nodes hold all of the power on who else gets to join the network. You cannot vote all of the Validators out of the network or the network collapses. You need at least one node to vet participants. So whatever group starts in power will always remain in power no matter who owns tokens or how many they have. Decentralized governance makes no sense when you have unchecked centralized power amongst a group of participants.
- b) Spendcoin in this ecosystem is to be used as a middleman asset that immediately leaves the ecosystem on use. Clients use Spendcoin to pay, Merchants then immediately cash out for fiat or cryptocurrency. This is creating no value for the token itself. No Spendcoin ever stays in the system, gets burned, or is incentivized to be held to counteract inflation. **It is always in the best interest of each party in this system to immediately sell Spendcoin.**
- c) This spells potential disaster for Spendchain. After the Proof-of-Purchase pool is depleted, which artificially props up the incentive for people to hold the token, the network will collapse.
 - Spendcoin is inflationary and cannot be capped as it is the only incentive in place for Validator Nodes to run the network.
 - Merchants are pegging the price of their goods in other currencies which they get instantly cashed out for. They have no effect on increasing demand for Spendcoin relative to that other currency.
 - Financial Nodes need to constantly be selling Spendcoin to acquire the asset that they need to exchange for the Merchants. In a best case scenario there will be a continuous stream of buyers to keep the price of Spendcoin steady against the Merchants currency. It can never increase the price of Spendcoin against the

Merchants currency because the Spendcoin bought from the Financial Node for the purchase gets immediately funneled back through the network where it is cashed out again.

- There is no need to buy Spendcoin unless you are joining the network or making a purchase.
- If there is not another immediate buyer available at the current price the Financial Node is forced to sell at a loss in order to recoup the assets for the Merchant.
- Validator Nodes are constantly obtaining Spendcoin as inflation to secure the network. It is in Validators best interest to immediately sell their awarded Spendcoin since they have no financial upside if they hold it.
- There is constant sell pressure from the Financial Nodes who are also cashing out profits on their fees in addition to selling Spendcoin to remain solvent in other assets they need to sustain the network. This means the price of Spendcoin will always be going down.

Eventually it will not be economical anymore for Financial Nodes to keep accepting Spendcoin so they will leave the network or stop exchanging for the Merchants. Now that the Merchants are not getting cashed out anymore, they inherit the settlement risk and there is no benefit for them to stay in the network. At this point nobody wants Spendcoin anymore and the system collapses. There is no way for the token to increase or maintain value within the proposed system. This is because the token provides no utility.