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Trusted Smart Chain  
Prosperlink LLC  
Management

RE: Is TSC a Security?

Sirs:

The purpose of this opinion is to determine and support the position if the Trusted Smart Chain Nodes, and the associated offer to the public for their purchase are considered a security offering under applicable United States Law, if an exemption applies, and if under such law if its registration is required. As the sale of the nodes are being made by a US based entity, I have not reviewed nor discuss foreign law (any place outside the United States).

I began by first looking at the TSC Nodes: **Is a TSC Node a digital asset?**

To begin, what is a Digital Asset? The Congressional Research Service holds; “*Digital assets*, which include *cryptocurrencies*, *crypto-assets*, or *digital tokens*, among others, are digital representations of value.... depending on their characteristics, some digital assets are subject to securities laws and regulations.” ([https://www.congress.gov/crs\\_external\\_products/R/PDF/R46208/R46208.5.pdf](https://www.congress.gov/crs_external_products/R/PDF/R46208/R46208.5.pdf))

Based on the definition, which was produced by the Congressional Research Service in the above noted paper in June 2021, I concluded that the ***TSC Nodes were not digital assets as they are not representations of value.*** The TSC Nodes are software and hardware combinations that support, secure, and advance the Trusted Smart Chain network and blockchain, not a digital representation.

**We continue by examining how securities are determined**

Federal regulators have take the position that the Howey Test  
(<https://www.sec.gov/about/divisions-offices/division-corporation-finance/framework->

[investment-contract-analysis-digital-assets](#)) provides the factors that determine if something is an investment.

1. Determining if the TSC Node purchase/acquisition is an investment?

a) Various definitions of an investment:

1. Webster's; "the outlay of money usually for income or profit"

(<https://www.merriam-webster.com/dictionary/investment#dictionary-entry-1>)

2. Law.com Dictionary; "the money put into use for profit, or the property or business interest purchased for profit"

(<https://dictionary.law.com/Default.aspx?typed=investment&type=1>)

b) What is the purchase of a node?

1. A node purchase is the acquisition of a software package specifically designed and purposed to support the TSC Blockchain.

When making an investment, the person providing capital has an expectation of a return from the efforts of others. In this instance, a TSC Node contributes work to the network/blockchain through its contributed processing power, and there is no reasonable expectation of a return based on the efforts of others because any return takes into account the node operator's contributions to the network. Many may consider the purchase made to acquire the node an investment of money by its outlay, but it is the purchase of a computer program and the acquisition of a right to participate in the network. It does not fulfill the definition of an investment under regulators, so it is therefore not an investment as defined under the applicable regulators.

I continued by looking into the perspective of the US Securities Regulator, and approached the question with the assumption that one would invest funds into a project and that they would have a reasonable expectation of a return on their investment through the actions of another.

In making my determination, I applied what is commonly referred to as the “Howey Test”, based on a decision by the US Supreme Court in identifying an Investment contract, and used by the US Securities and Exchange Commission in making a determination. (Framework for “Investment Contract” Analysis of Digital Assets, <https://www.sec.gov/about/divisions-offices/division-corporation-finance/framework-investment-contract-analysis-digital-assets>)

The test has several parts; and they are applied below:

1. The Investment of Money

- a) This part of the examination is generally easily accomplished when an individual purchases a digital asset. In this issue at hand, the TSC Nodes, the question we must answer is, are TSC Nodes Digital Assets? Which we also addressed above.
  - 1. One acquires a TSC Node through a direct purchase.
  - 2. The Node is not a digital asset, it is not a representation of value, even if it is digital in nature, electronic, built/created for participation in the digital realm.
  - 3. It is NOT a digital asset as held and determined by the court decisions that support the Howey Test, and the definitions by Congress and the US SEC.

2. Common Enterprise

- a) This is an issue that the courts and the commission have concluded as likely the easiest issue to affirm.
  - 1. The owners of a TSC Node are involved in a common enterprise, each owner of a node contributes to the security, and success of the network.

2. This is similar to owners of other crypto miners, that are functioning as part of a common enterprise, that they provide security and support of the respective blockchain.
3. Reasonable Expectation of Profits Derived from the Efforts of Others
  - a) When determining a reasonable expectation of profits derived from the efforts of others, we first need to look at the relationship TSC nodes have with the Trusted Smart Chain.
    1. The nodes are for the purpose of processing, verifying transactions, and securing the network.
    2. The owners of the nodes gain benefits through staking TSC tokens as a validator and by sharing in the transactions fees that are generated by activity on the TSC blockchain.
    3. As a computer mechanism, the owners of TSC nodes benefit from activity on the network/the blockchain and from their contributions to the network through their computer activity, in short they are not dependent on the actions of others they too must contribute effort, work, and resources to the network.
    4. The relationship of Node operators to this portion of the determination, negates the conclusion that the Node is a security. The node contributes to the network/blockchain through the work that it does. The SEC has concluded that Proof of Work, a common consensus mechanism used in token and blockchain development was the contribution that a node owner contributes to the network, and its a contribution outside of capital, so therefore it does not rely on others for a return. They actually contribute.

Statement on Certain Proof-of-Work Mining Activities,  
<https://www.sec.gov/newsroom/speeches-statements/statement-certain-proof-work-mining-activities-032025>

As a TSC Node does not comport with the definition of a Digital Asset, and that it contributes to the overall network for which it is designed to support, and that its contributions are not dependent on the efforts of others, it is my conclusion and therefore my opinion that the purchase of a TSC Node is not a security, nor an investment contract and therefore does not require a registration under US Securities Laws.

Respectfully,  
/s/Warren R. Markowitz  
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