

BLOCKCHAIN **& THE NEW TOKEN ECONOMY**

A Primer For Companies & Investors

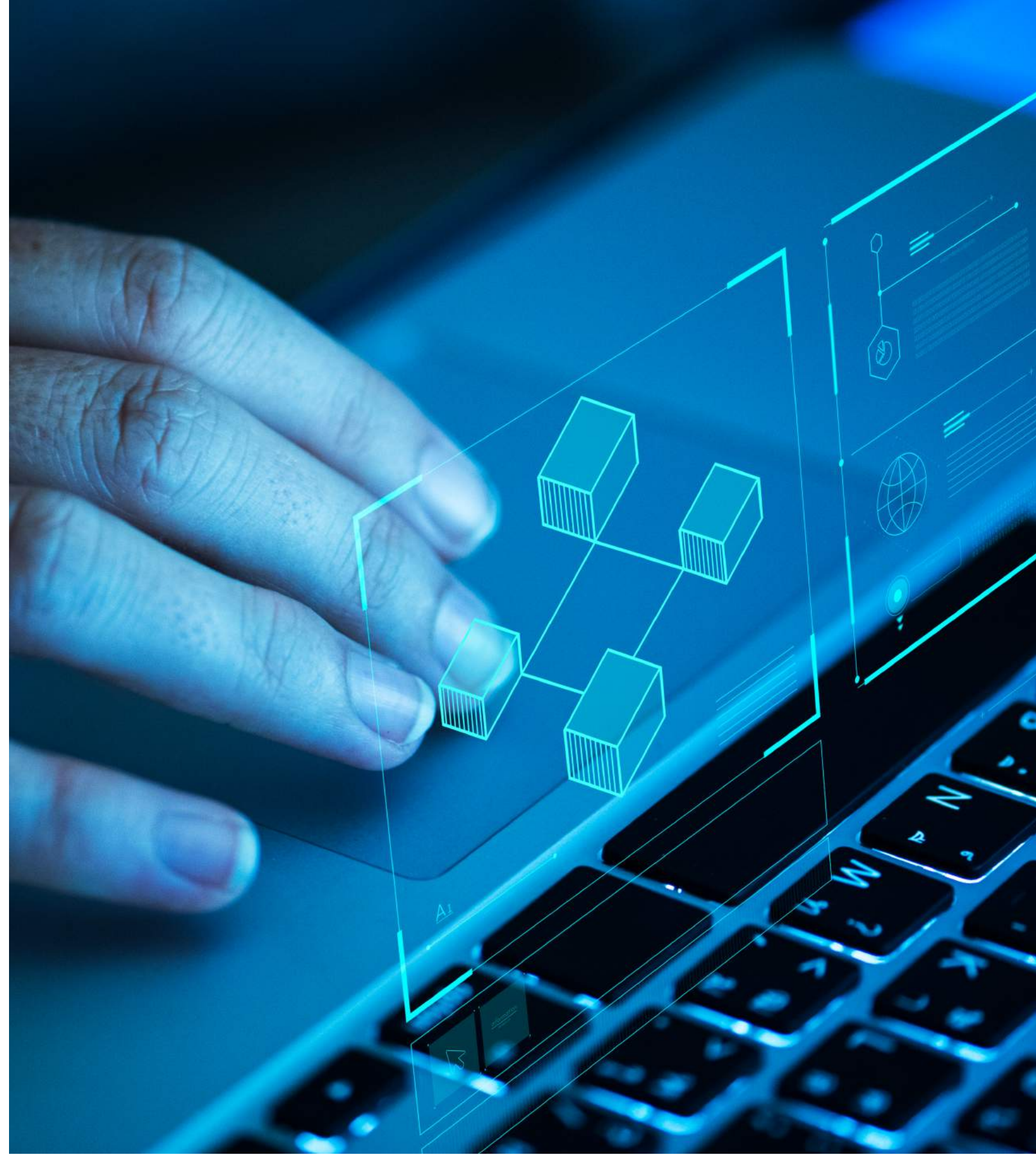


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What is Blockchain?

- Decentralized digital ledger
- Recorded for public inspection
- Entries cannot be altered
- Virtual transaction type
- Less vulnerable to cyber attacks



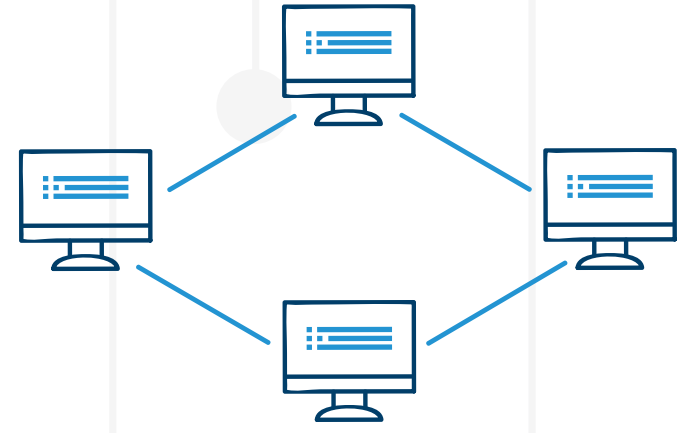


Anything that can [be] conceived of as a supply chain, blockchain can vastly improve its efficiency - it doesn't matter if it's people, numbers, data, [or] money.

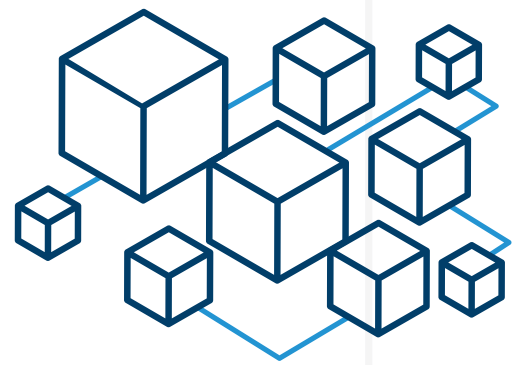
Ginni Rometty
CEO IBM [Reddit AMA, 2018]



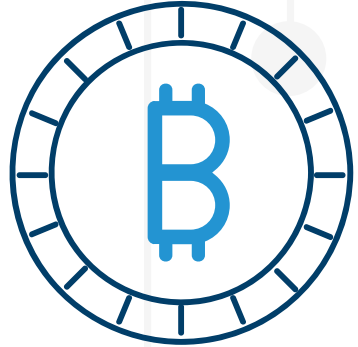
What is Cryptocurrency?



Decentralized digital currency



Built on the Blockchain



Bitcoin was the first digital currency

Coins Vs. Tokens

Two different types of units created using cryptography

COINS

Often referred to as: alt coins, cryptocurrency, or digital money

Store of value over time

Digital equivalent of money

Limited supply, portable, divisible, fungible, durable, tradeable

Generally does not perform a function



TOKENS

Digital assets tied to a project

Either a security or a utility

A form of payment within the project ecosystem

Token owners have a right to participate

Generally created on an existing blockchain platform i.e. Ethereum

Types of Tokens



Internet

protection

Security Tokens

Digital assets backed by
real-world assets
(equity, debt, cash, property)

Represent true
ownership/equity interest

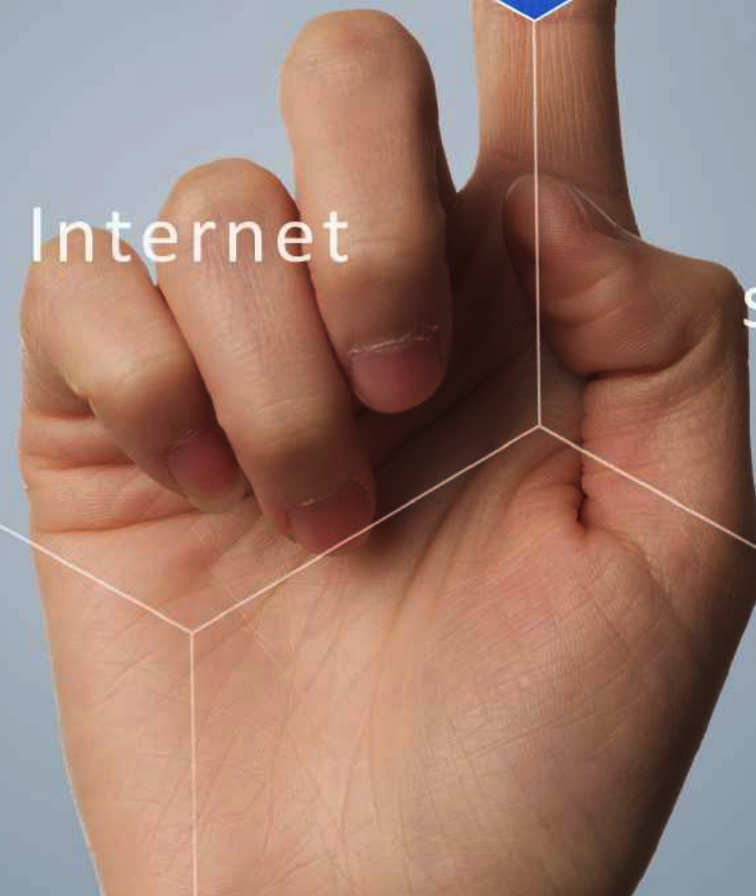
Expectation of future profit

Voting rights and influence
over decision making.

Regulated as investment
contracts

Internet

Cyber
security



Utility Tokens

A tool for incentivising
behavior

Access to a product or service
under favorable terms

A type of credit, redeemable
for future services

Based on specific projects
aimed at solving real-world
problems

Does not represent
ownership

Why Companies Issue Tokens?

- Lower friction access to capital compared to an IPO
- Access to global investor pools
- Flexible caps, greater liquidity control
- Funds used to drive development
Owners keep more of their equity



Why Investors Purchase Tokens?

- Access to promising projects
- Early access to potentially valuable tokens
- Positive network effects & community participation
- Expanded trading opportunities
- Enhanced liquidity (Post ICO)



**For new startups,
difficulty raising
money is fueling
the rapid growth in
token offerings.**



In 2016, approximately
6,480,000
new entrepreneurs in the USA

**Kauffman Foundation*

But only
71,000 received the
funding to support
their business

**Angel Capital Assoc.*

Approximately
12,100,000
accredited
investors in the US

Only an estimated
370,000
invest in startups

Myth vs. Truth

MYTH

They are all scams

Simple to create

Easy to raise large sums fast

All advisors are experts

SEC has banned all ICOs

Token offerings are just a fad

US investor participation is illegal

US companies cannot
launch an ICO

TRUTH

Failure does not mean a scam

No easier than traditional

Plan on 6 mos. - 1 yr.

Select your team carefully

Some are securities, some are not

The data says otherwise

It is legal, just be compliant

See above^



Current State of Blockchain

- **74%** of enterprise executives believe blockchain presents a strong business case
- **41%** deploying blockchain applications within 12 mos.
- **40%** investing \$5M or more in the coming year
- Walmart & Sam's Club have mandated suppliers use IBM blockchain
- Consensus blockchain offers better security and reduced inefficiencies

Source: cointelegraph, 2018

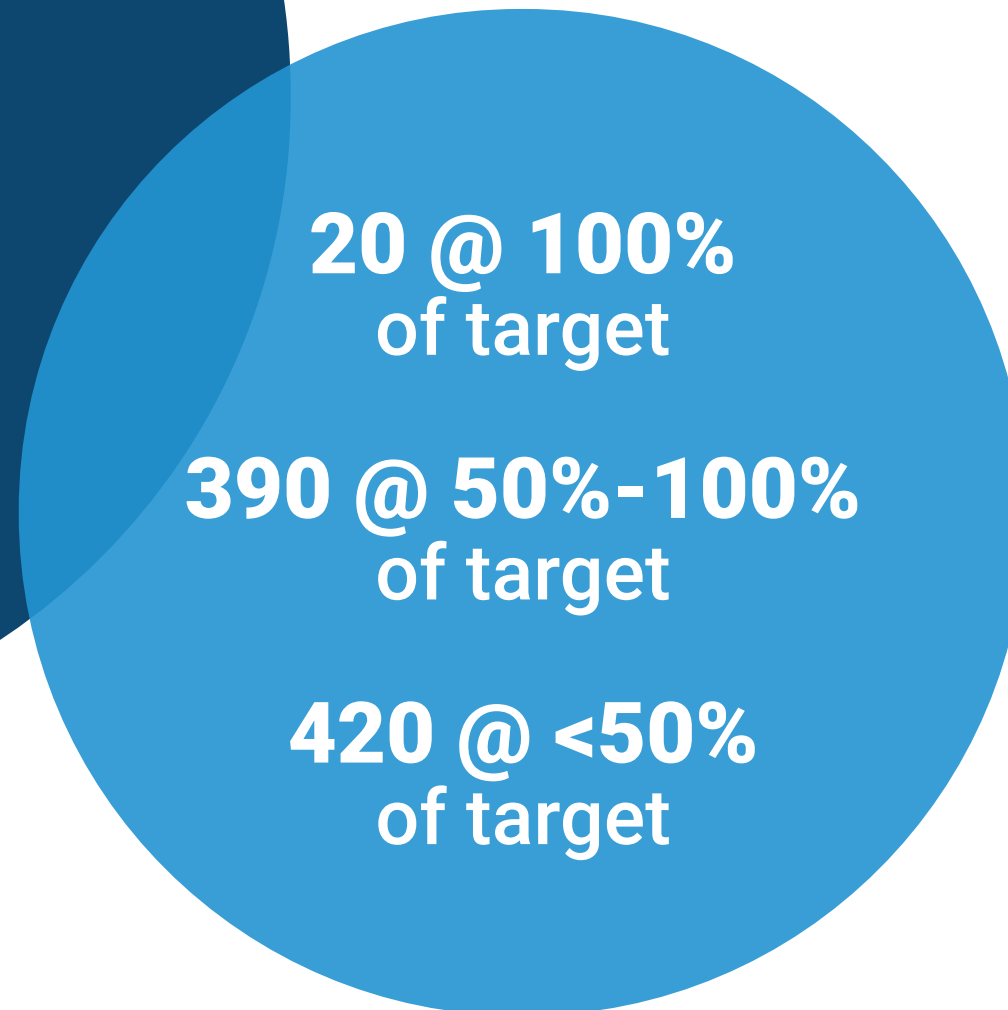
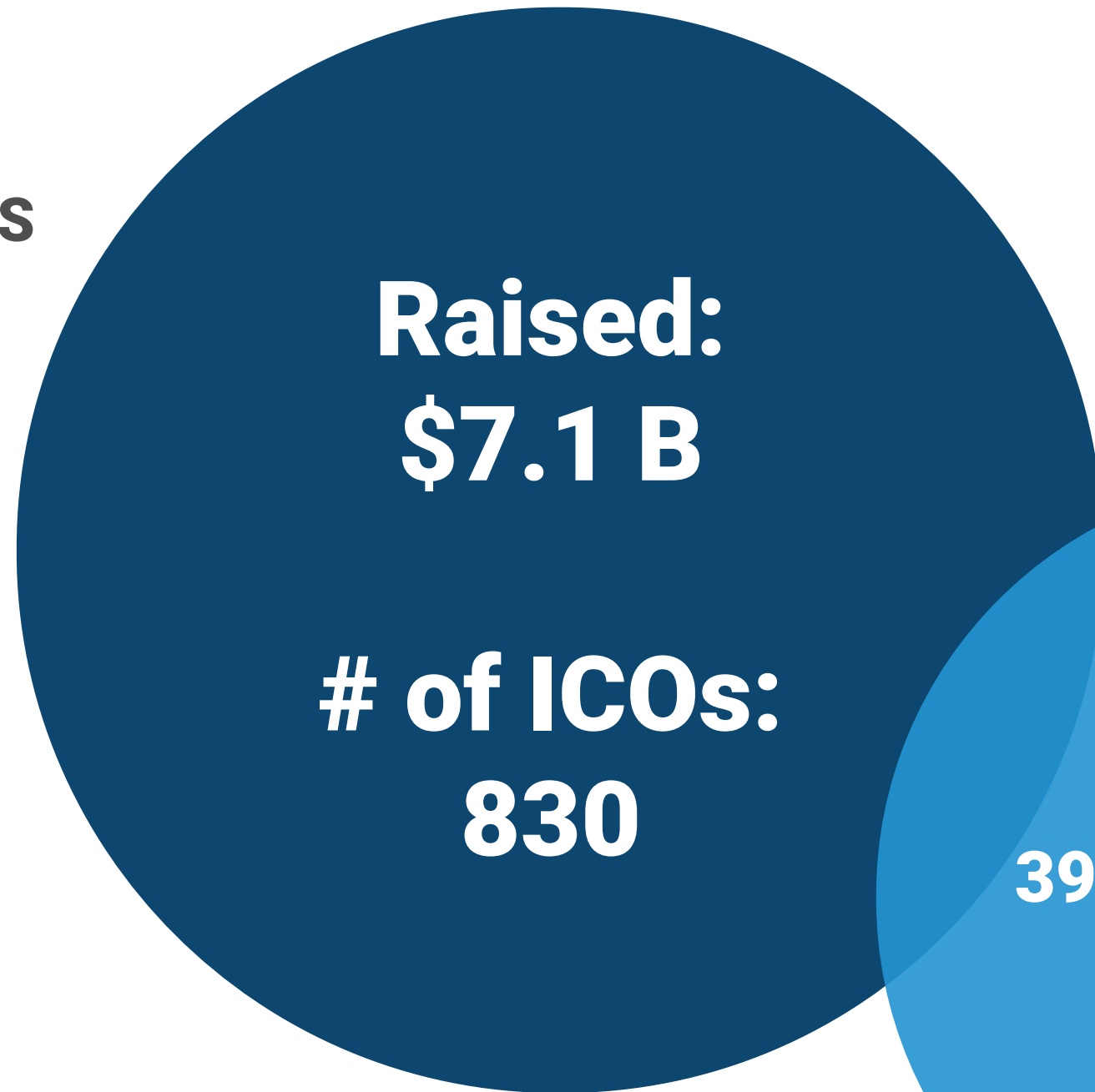
State of Token Fundraising

- **\$20B:**
Total raised to date
- **\$31M:**
Average Raise (2018)
- **40%** raise \$1M+
- Regulation on the horizon (*a good thing!*)

Source: icodata.io, coindesk.com

2018 Snapshot

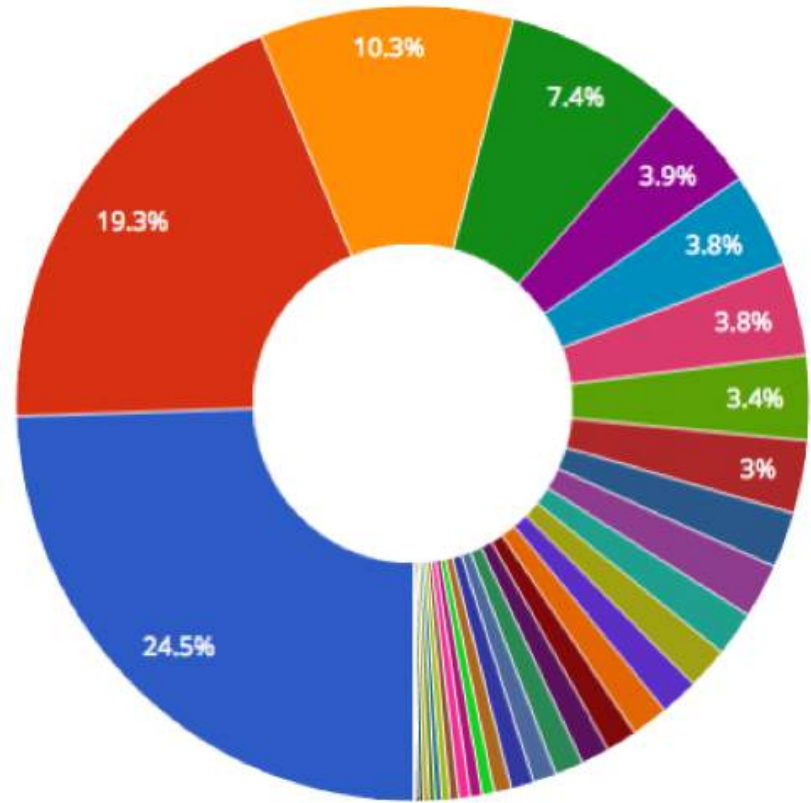
TOTALS



**% OF FUNDS
RAISED***

** % of actual raise
compared to the
project's target raise*

Source: cointelegraph, 2018



- Infrastructure 24.5% (\$4,887,260,997)
- Finance 19.3% (\$3,847,927,515)
- Communications 10.3% (\$2,058,181,399)
- Trading & Investing 7.4% (\$1,481,675,808)
- Payments 3.9% (\$782,285,810)
- Governance 3.8% (\$767,300,000)
- Gaming & VR 3.8% (\$756,007,172)
- Events & Entertainment 3.4% (\$685,156,075)
- Commerce & Advertising 3.0% (\$595,302,394)
- Privacy & Security 2.3% (\$452,384,538)
- Marketplace 2.2% (\$439,297,516)
- Supply & Logistics 1.8% (\$365,192,593)
- Machine Learning & AI 1.7% (\$339,637,544)
- Energy & Utilities 1.6% (\$310,721,843)
- Social Network 1.5% (\$303,212,500)
- Drugs & Healthcare 1.3% (\$251,007,764)
- Gambling & Betting 1.2% (\$233,577,970)
- Data Storage 1.2% (\$231,918,124)
- Mining 0.9% (\$189,494,964)
- Identity & Reputation 0.9% (\$184,580,655)
- Transport 0.7% (\$138,635,735)
- Compliance & Security 0.5% (\$100,729,943)
- Travel & Tourism 0.5% (\$95,224,252)
- Education 0.5% (\$92,204,916)
- Data Analytics 0.4% (\$71,845,783)
- Internet of Things 0.3% (\$66,463,200)
- Art & Music 0.3% (\$51,772,935)
- Real Estate 0.3% (\$50,830,407)
- Food & Beverages 0.2% (\$43,993,200)
- Commodities 0.2% (\$37,330,132)
- Recruitment 0.1% (\$19,243,038)
- Content Management 0.1% (\$17,098,614)
- Legal 0.0% (\$6,225,700)
- Charity & Donations 0.0% (\$3,745,402)
- Provenance & Notary 0.0% (\$1,671,000)

Categories

Source: cointelegraph, 2018

Utility Tokens

ADVANTAGES

Linked to a specific use case

Built around a community

Cause oriented

Exchangeable into BTC or security tokens



DISADVANTAGES

Not securities, equity, or currency

Value doesn't correlate directly to project's success

No established regulation

High rate of fraud & scams

Security Tokens

ADVANTAGES

Less costly and time consuming than IPO

Can raise funds without utility

Eliminates many scams, more trustworthy

Connected to company growth

Enhanced liquidity, tradeable sooner

Transparent value based on underlying asset

DISADVANTAGES

Legal & regulatory

Restricted investor base (US)

Holder can influence decision-making

Technical development & maintenance

Complexity connecting real-world assets to the blockchain



Why Not Launch a Rewards-based Campaign?

- No ancillary fulfillment other than the token itself
- Most campaigns not available internationally
- Profit not important to participants
- Tokens generally treated as investments for profit

Elements of a Successful Token Offering

- Clear long-term vision
- Research, planning, & modeling
- Qualified team
(Legal, finance, IT, marketing, operations)
- High-impact, transparent project documentation
- Organized, accountable project management

Legal & Regulatory Considerations

- Entity Structuring & Jurisdiction
- Token Classification
(Utility or Security, Reg D, Reg A+, Reg CF)
- AML/KYC Requirements
- Marketing & Advertising Compliance



Financial Considerations

- Token Model, allocation, & monetary policy
- Soft caps/hard caps
- Pre-sale or not
- Tax liabilities



Technical Considerations

- Development team
- Platform (i.e. ERC20)
- Third party audit
- KYC/AML
- Systems integrations
- Security & maintenance



Branding & Marketing Considerations

- Story, positioning, & narrative
- Assets
(Brand identity, white paper, website, pitch deck, video)
- PR & social seeding
- Pre-ICO, during-ICO, post ICO community building
- Ongoing community management



Token Sale Journey

- Discovery & Research
- Token model, legal, financial, technical, marketing planning
- Pre-sale, During sale
- Post-sale Development
- Community management

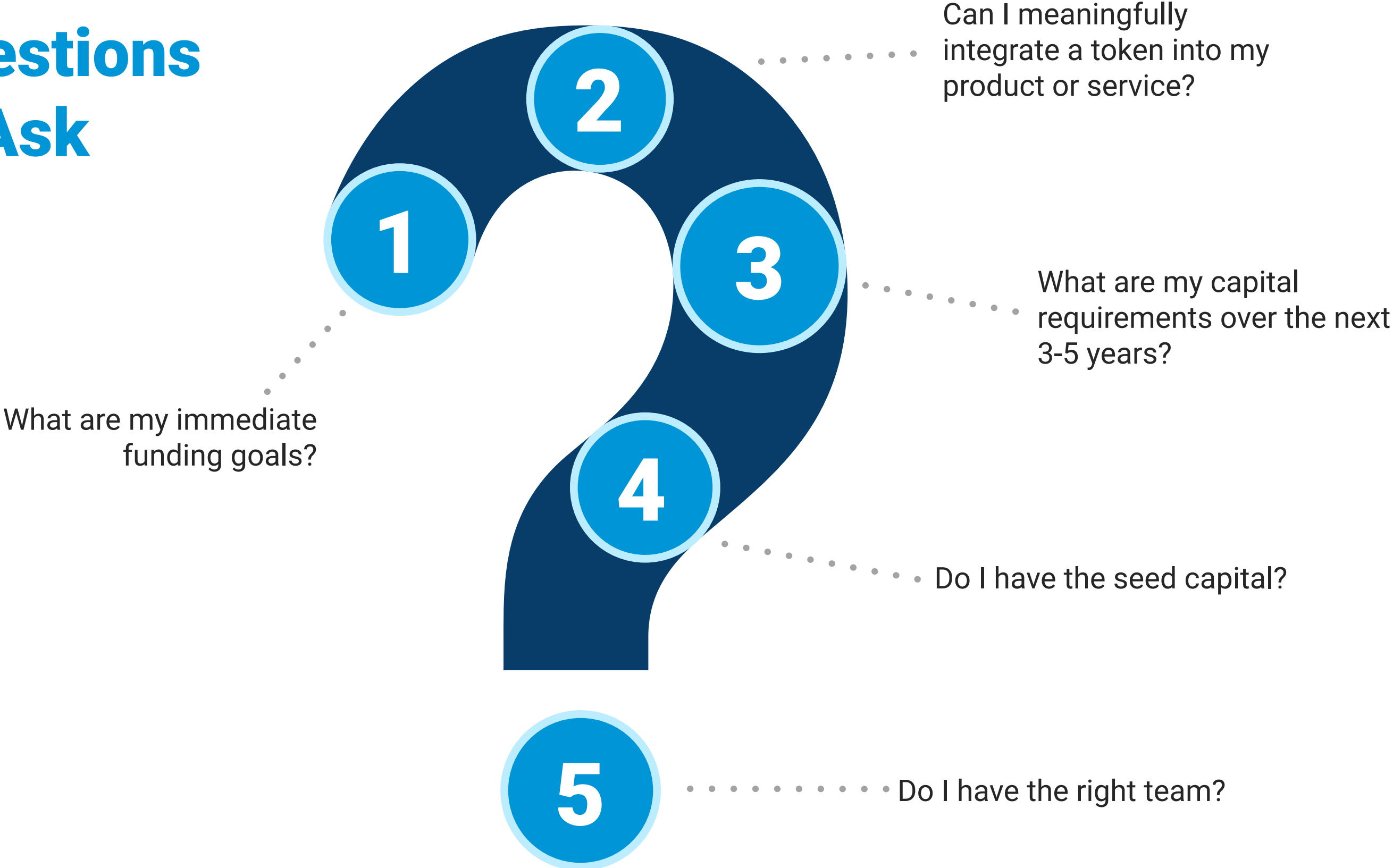




Is a Token Offer Right For You?

- Does your company need capital?
- Can your business or industry benefit from blockchain?
- Does your company require intermediaries or brokers?
- Do you consider blockchain an essential part of your future success?
- Do you plan on doing business internationally?

Questions to Ask



About Us

CLARIFY COMPANY

Clarify Company is a California based consortium of blockchain professionals and thought-leaders offering solutions to both new and established businesses worldwide.