



WHITE PAPER

August 2017

Larry Mascolino, Jack Kasbeer, Jethro Au,
Christopher Li, John Mejia, Madin Akpo-Esambe,
Ben Weiss, Daniel Polotsky, Julia Ainbinder

Get Involved



<http://flipcoinsale.com>



<http://coinflipatms.com>



<http://coinflip-team.slack.com>



@coinflipatm



CoinFlip

Index

Executive Summary

Chapter 1 Overview of CoinFlip

- Crypto market space
- Convenience of cryptocurrency ATMs
- Organically growing the cryptocurrency ecosystem

Chapter 2 Business Model

- Core components
 - ATM design
 - Terminal software
 - Transaction process
 - Backend server

Chapter 3 Token Model

- Token holder Incentives
 - Functionality at ATMs
 - Significant discounts on purchases and licensing fees
 - Free educational material and consulting
 - Networking events for members
 - Other Incentives

Chapter 4 History and Future Development Timeline

- Past milestones
- Expansion
- Licensing

Chapter 5 Token Sale

- Presale registration
- Token sale crowd fund
- Summary

Chapter 6 Funding Usage Breakdown

- Expansion
 - Inventory reserves
 - Purchasing new machines
 - Marketing
- Core team
- Technology upgrades
- Compliance, Legal, and Accounting

Chapter 7 Core Team and Advisors

- Core team
- Project Team
- Advisors
- Customer Testimonial

Chapter 8 Legality/AML Compliance Program

Executive Summary

CoinFlip turns purchasing cryptocurrencies into an easy and straightforward process. What we do is simple; we deploy cryptocurrency ATMs and conduct in-person bitcoin trades, and earn a profit by making a market.

The Skokie, Illinois-based company was officially incorporated in December 2015. Currently, the firm operates 13 ATMs, with locations in Third Lake, Elk Grove Village, Skokie, Lincoln Park, Wicker Park, Pilsen, Garfield Park, Woodlawn, Alsip, Rockford, Champaign, Naperville, and Calumet City. 12 of the machines accept cash and dispense cryptocurrency, and one of them (the Champaign location) is a more sophisticated model that can also accept cryptocurrency and dispense cash.

Online marketplaces such as Coinbase and Bitfinex make purchasing cryptocurrency painfully annoying. They all require a rigorous on-boarding process that requires even small-time buyers to divulge very personal information, such as government identification, bank statements, and social security number. Not only that, but receiving the cryptocurrency takes a very long time; Coinbase will make users wait for 7-10 days for ACH purchases, and an exchange like Bitfinex requires a wire transfer that is not only time consuming, but costly (usually around \$40-\$70 for US customers).

We're different. CoinFlip understands that not all customers can afford to wait or jump through hoops. Our registration requirements are straightforward, and our turnaround time is unparalleled. When our customers engage in an in-person transaction or use the ATMs, the cryptocurrency is sent to their wallet before they even have a chance to return to their car.

Due to the convenience and speed that the company offers with regards to purchasing crypto, there has been immediate demand for our services. We have been able to grow very quickly because of our dedication to customer service (available 24/7), our enhanced reach via new locations, and our advertising campaign.

Because cash is convenient for the user and carries extra risk/logistical issues for the vendor (us), we can charge a premium on the cryptocurrency that is purchased with bills. Currently, we charge 7% over GDAX's market value of crypto for each sell transaction, and 3.5% under GDAX's market value for each buy transaction. These are the lowest ATM fees in Illinois.

Although it is hard to quantify the size of the cryptocurrency sector due to relative novelty, the space is quickly gaining traction in our society. It is still far from mainstream, yet as adoption continues to rise, so will CoinFlip's transaction volume.

Chapter 1 Overview of CoinFlip

Crypto Market Space

Cryptocurrency allows its owners to be their own bank, to quickly and inexpensively transfer their funds anywhere in the world, and to possess a transparent database that contains a record of every single transaction. This dynamic new ecosystem is rapidly proliferating with the rise of blockchain technology, and global adoption will only continue to grow.

However, with the advent of a new digital asset class comes a set of new challenges. The creation of a decentralized system for smooth transactions is a central part of the general vision, but the exchange of different cryptocurrencies for fiat is still an integral part of the ecosystem today. The overall availability of different digital coins and tokens is low relative to its potential.

At CoinFlip, we feel that this exchange of different coins (like bitcoin and ether) into fiat currency should be a seamless and intuitive process. We are an established company in the Midwest that adheres to KYC (Know Your Customer) and AML (Anti-Money Laundering) compliance protocols. Our goal is to create a global network of cryptocurrency ATMs that allow users to easily convert their highly-available fiat currency into relatively unobtainable digital assets (and vice versa).

Convenience of Cryptocurrency ATMs

Acquisition of all cryptocurrencies primarily occurs on existing online exchanges. These exchanges often require users to link their bank accounts or other financial institutions in order to send funds to the market to execute orders. The verification process and mobility of these funds can take weeks, if not months.

While the cryptocurrency ATM network is not as expansive as the online exchanges, ATMs do provide a location where users can take advantage of a quick registration process and the convenience of being able to exchange cash for cryptocurrencies in a matter of minutes.

Organically Growing the Cryptocurrency Ecosystem

Speed, convenience of acquisition, and a fair price are three sought-after components of cryptocurrency exchanges. In order to increase general awareness and encourage mass adoption, these facets need to be optimized.

These are core values at CoinFlip as we are actively trying to expand the ATM network across the country and eventually, the globe. People should be able to make bitcoin and other cryptocurrency purchases without hassle and time constraints. The easier it is to freely exchange fiat for cryptocurrency and vice versa, the faster the overall crypto sphere will grow.



Chapter 2 Business Model

Core Components

The business model at CoinFlip is centered around exceptional customer service, low fees, and the simple user interface of our machines. There are other ATMs on the market that are intimidating to users and are difficult to use. In addition, they gouge their customers by charging unreasonable rates, sometimes in excess of 16%. We have two different versions of ATMs that we deploy. The majority are small one-way machines that accept fiat cash in exchange for the corresponding crypto amount, which is sent immediately to the customer's wallet address. The second is a larger two-way machine that allows people to buy or sell cryptocurrencies for fiat cash.

ATM Design

Our primary ATM design consists of:

- A small outer shell comprised of durable metal
- A simple grey stand that the ATM is bolted on top of
- A tablet-like screen that has an integrated user interface
- A state of the art validator that quickly accepts fiat cash
- A camera that makes it easy to verify customer identities

The larger two-way machine is a single unit with multiple recyclers that allows users to sell their crypto to CoinFlip.

Terminal Software & Transaction Process

The user interface is easy to use. This is critical in a space that is often criticized for being too complex for the average consumer. Users are prompted through a quick registration process if they choose to purchase an amount over \$500. The registration is tied to a user's primary phone number. After submitting a picture of a valid government-issued ID and a matching selfie through the built-in ATM camera, the user is then able to scan his or her QR address code and insert bills of any denomination into the ATM.

After the user is finished inserting each individual bill, he or she is prompted to confirm the total amount. The corresponding value in crypto will be automatically sent to his or her wallet address.

Backend Server Protocol

Every registration over \$500 is manually approved by a CoinFlip associate. We take our compliance program extremely seriously and run all of the verification checks that are required by the federal government. Government-issued IDs and user information gathered during the registration process are stored on a secure server, and never sold to a third party.



CoinFlip's two-way
ATM model

Chapter 3 Token Model

Token-Holder Incentives

We are now excited to offer FlipCoin tokens to our dedicated supporters. They will be treated as a membership token that will provide benefits for those own it, with access to significant discounts, consulting, crypto networking events, and educational literature/videos created by CoinFlip (among other things).

We are also in the process of submitting applications to have FlipCoin tokens listed on major exchanges, so that they can easily be acquired by new customers (or unloaded by old ones).

Owners of...

>\$100 USD (if purchased during sale)

or 0.01% of Total Outstanding FlipCoins (if purchased after sale)

CoinFlip members that possess over 0.01% of our released tokens will be eligible for large discounts. We will drop our fees in half for these holders. Our buy crypto for cash fee will decrease from 7% to 3.5% above spot price, and our sell crypto for cash fee will decrease from 3.5% to 1% below spot price.

Can't reach our ATMs? No worries! While you wait for a CoinFlip terminal to reach your town, you can always send us a wire transfer (domestic only) in order to purchase crypto. We will cut our wire fee from 4% to 2% above spot price for FlipCoin members in this tier. This deal (and virtually all of the other incentives) **do not expire**.

As we use the sale proceeds to expand our ATM and client networks, the once-in-a-lifetime discount this token provides will gain in usefulness. We will also attempt to process ACH payments and credit card transactions, which the discounts will apply towards.

>\$500 USD (if purchased during sale)

or 0.05% of Total Outstanding FlipCoins (if purchased after sale)

Members in this tier will gain admission to quarterly CoinFlip networking events, which will be attended by influential individuals in the Chicago/Midwest crypto network. The individuals who own over 0.05% of FlipCoins after the initial sale will also receive CoinFlip apparel (such as snapbacks or t-shirts) as a "token" of our appreciation.

>\$1,000 USD (if purchased during sale)

or 0.1% of Total Outstanding FlipCoins (if purchased after sale)

CoinFlip will provide this group with on-demand consulting to answer any questions related to cryptocurrency. Simply call us, and we'll give our two cents about where the industry is headed, or perhaps provide advice regarding securely acquiring and storing crypto.

Chapter 3 Token Model

We will also periodically send these members literature and/or videos about different topics surrounding the sphere.

>\$5,000 USD (if purchased during sale)

or 0.5% of Total Outstanding FlipCoins (if purchased after sale)

Have you ever wanted to bring cryptocurrency ATMs to your area, but didn't know where or how to start? If so, you may want to consider purchasing FlipCoin. CoinFlip now gives aspiring ATM operators access to its brand, compliance protocol (US-tailored), customer service representatives (who speak English and Russian), and server specialists. CoinFlip will waive its usual \$10,000 upfront setup fee for token holders in this tier. As more potential licensing partners find out about CoinFlip, this token will gain utility. New operators are already in the process of helping us expand nationwide, and hopefully this incentive allows us to do it even faster!

CoinFlip reserves the right to reject potential operators and refund their entire contribution (the amount refunded will be the USD value of the contribution at the time of purchase)

>\$10,000 USD (if purchased during sale)

or 1% of Total Outstanding FlipCoins (if purchased after sale)

You, my friend, must really like us. For this amazing show of support, we will grant these angels full access to all CoinFlip financial/sales reports, and will try to incorporate them into future ventures. They will also have a seat at all of our board meetings (virtually or in person), and will act as the company's official advisors.

*The incentives build on each other. For example, if you own more than 0.05% of released FlipCoins, you will obtain the discounts, the apparel, and the access to the networking events.

**New customers who obtain over 0.01% of tokens after the initial sale must wait two weeks before presenting them for discounts.

Additional Incentives

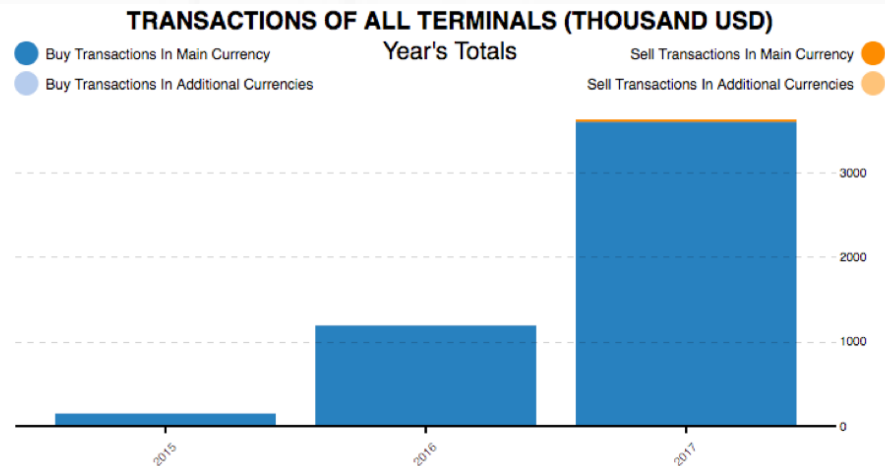
Accelerated Cryptocurrency Adoption/Increased Network

If we successfully connect fiat-holding citizens with a fast and simple method to inexpensively turn their cash into crypto, then the cryptocurrency community will grow as a result! Should we hit our goal of 100 ATMs by the end of 2018, then we will have noticeably increased the network of the cryptocurrencies we trade (bitcoin, ethereum, and litecoin as of now).

Chapter 4 History and Development Timeline

Past Milestones

CoinFlip is growing quickly and has already blown past years' sales numbers out of the water. As we continue to expand as planned, CoinFlip will be able to capture the market share in the Midwest and extend to other areas in the United States. The company's goal is to operate 100 terminals by the end of 2018.



Expansion

CoinFlip currently has 13 ATMs deployed in Illinois, and we are looking to quickly expand. We recently ordered 20 new machines from our manufacturer, and have plans to deploy 1-2 ATMs per week in new locations throughout the Midwest. You can check out our website, <http://coinflipatms.com>, to view a complete list of all current ATM locations. See Funding Usage for a breakdown of future expansion plans.

Licensing Opportunities

CoinFlip is in the process of adding other services to complement our ATMs. We currently offer consulting sessions/managed services for people unfamiliar with the cryptocurrency space. We are additionally speaking with a variety of entrepreneurs who want to incorporate our ATMs and brand into their own business (licensing). These ventures will be set up alongside regular CoinFlip operations. We handle the branding, compliance, customer service, and server support, which allows our operators to overcome the steep learning curve involved in running a business of this nature.

Chapter 5 Token Sale

Presale Registration

Prior to the crowd funding period, we are offering the crypto community to register wallet addresses. This will allow us to have a better idea of how many people plan on participating and how much they plan on contributing. More information on the presale registration date and overall process will be provided in the future.

Token Sale

An ether or bitcoin wallet address will be displayed upon logging in on the sale's website (flipcoinsale.com) on the date of the crowd fund. Contributors will be able to send ether or bitcoin to the address in exchange for FlipCoin tokens for the entire duration of the sale. If you would like to participate, simply visit our website and create an account with username, password, and contact information.

Summary

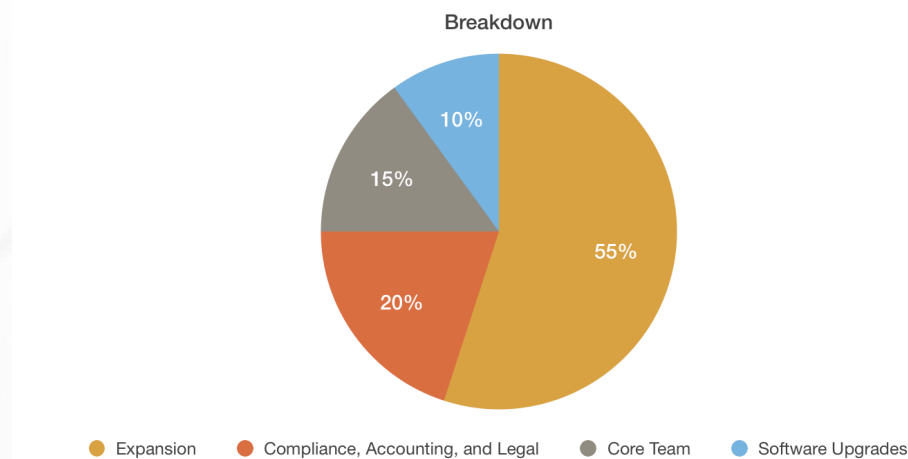
Presale: 10 million tokens at \$0.08 per token

Sale: 30 million tokens at \$0.10 per token

Last Chance: 10 million tokens at \$0.12 per token

The ETH price of the tokens will be locked in one hour prior to the presale. CoinFlip reserves the right to readjust the ETH price in order to align correctly with the above dollar amounts.

Chapter 6 Funding Usage Breakdown



Expansion (55%)

Your contributions will primarily be used to make CoinFlip's affordable and simple services more accessible to everyone. Roughly **55%** of all funds raised will go towards rapid expansion throughout the United States and worldwide. This money will allow us to **immediately purchase more ATMs (10%), market our brand (15%), and increase crypto inventory (30%)**. Our goal to deploy 100 ATMs by the end of 2018 is lofty, but definitely doable.

Compliance, Accounting, and Legal (20%)

In order to effectively operate, the company will need to dedicate an increasing amount of resources to enhancing its **compliance protocol** as it scales. In addition, CoinFlip will need more sophisticated **accounting** and **legal assistance** once profits grow, more currencies are offered, and the company operates in different states/countries. 20% of funds will be used for these three purposes.

Core Team (15%)

15% of funds raised will go to the **CoinFlip core team (comprising four members)** in the form of a **salary**, prorated over the course of one year. We've been operating for nearly two years, and have bootstrapped the entire way. None of the founding members were taking a base salary as recently as May of this year. This would allow them to continue organically growing the cryptocurrency ecosystem.

Software Upgrades (10%)

10% of all funds raised will go towards upgrading our software. This will improve the overall user interface and add necessary compliance/proprietary features to set us apart from the competition.

Chapter 7 Core Team & Advisors

Core Team



Daniel Polotsky
Chief Executive Officer

Daniel graduated from Northwestern University in 2017 with degrees in Economics and Russian Language and Literature. He came up with the idea for CoinFlip in 2014, and has previously held positions at Uber, R.J. O'Brien, Citadel, and Morgan Stanley. Daniel is responsible for idea generation, securing new investment, accounting, and compliance.



Kris Dayrit
Chief Marketing Officer

Kris owns five popular Chicago electronic cigarette shops, heads an electronic cigarette manufacturing company, and is a practicing nurse. Kris is responsible for building CoinFlip's brand image, acquiring new locations, and licensing the company's name to new operators.



Ben Weiss
Chief Operating Officer

Ben graduated from Vanderbilt University in 2017 with a degree in Economics. He previously interned as a law clerk for the Cook County States Attorney's Office in Chicago. Ben attends to the daily operations of the company, which include cash management, payroll, and data analysis.

Chapter 7 Core Team & Advisors

Project Team



Larry Mascolino
Project Manager

Larry graduated from Wake Forest University in 2017 with degrees in Biology and Entrepreneurship. He was previously a clinical rotation intern at Advocate Illinois Masonic Medical Center. Larry currently assists CoinFlip with daily operations and marketing.



Jack Kasbeer
Head Software Engineer

Jack currently studies Mechanical Engineering at Carnegie Mellon University. He has extensive experience in web development/design, iOS development/design, computer architecture, and systems programming. Jack takes functionality and security very seriously, and has worked diligently on the sale's smart contracts.



Jethro Au
Developer

Jethro currently studies at Northwestern University with a focus in managerial analytics, machine learning and process design. He has previous experience in systems security testing, predictive analytics, and data management. Jethro has been an active investor in cryptocurrencies for several years.



Madin Akpo-Esambe
Marketing

Madin graduated from Northwestern University in 2017 with degrees in Economics and Organizational Change, and currently works to create growth strategy insights at the Cambridge Group. Prior to consulting, he held roles on the regulatory and investment sides of finance, working at both The Federal Reserve Bank and Goldman Sachs.

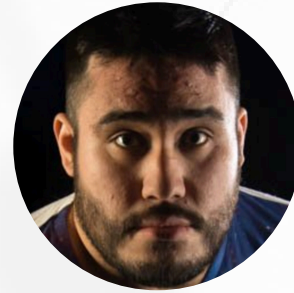
Chapter 7 Core Team & Advisors

Project Team



Christopher Li
Developer

Chris graduated from Northwestern University in 2017 with degrees in Computer Science and Economics. He is currently a full-time developer at Snap Inc.



John Mejia
Marketing

John studies Biomedical Engineering at the University of Illinois at Urbana-Champaign. He is a blockchain investor, enthusiast, and supporter. John is currently involved in multiple token sale launches, with roles in marketing, compliance and ethical practice.



Julia Ainbinder
Designer

Julia currently studies product design at Carnegie Mellon University. She has been doing freelance design work for over 5 years, and has completed several projects for CoinFlip. Currently, she is an Industrial/UX Design intern at iRobot. She is proficient in the Adobe Suite and Solidworks, and speaks 3 languages.

Chapter 7 Core Team & Advisors

Advisors



Joe Ciccolo

Joe is the Founder of BitAML, a compliance advisory firm exclusively serving the bitcoin and digital currency market. BitAML clients include bitcoin ATM operators, exchanges, traders and trading platforms, altcoins, token sales, and token sale platforms.

Prior to launching BitAML, Joe was a founding member and architect of the BSA/AML program of a top 100 U.S.-based online financial institution. He also served as a project manager for a top 20 global bank, where he led several regulatory and AML audit remediation projects, and consulted on the enhancement of existing documentation and record retention procedures. Before entering the field of BSA/AML, Joe held leadership positions within various risk management disciplines, including vendor due diligence, fraud prevention, and corporate investigations.

He is a frequent guest speaker at both bitcoin and compliance industry events, and regularly consults with regulators and policymakers.



Michael Marasco

After 20+ years as experienced manager, leader, intrapreneur, and entrepreneur, Michael joined the full-time faculty (adjunct professor since 1998) of the Northwestern University (NU) McCormick School of Engineering and Applied Sciences in January 2007. Today he is a Clinical Professor and Director of the Farley Center for Entrepreneurship and Innovation (FCEI.)

Michael currently serves on the Innovation Advisory Council of HAVI, a \$9+ billion company in the analytics, marketing, supply chain, and packaging industries.

He also continues to be an early stage investor. He currently sits on the board and/or advises a number of companies including Chimu, Agile Health, and Ullo. He is an angel investor in over 10 companies currently. He was recognized recently by Crain's Chicago Business and TechWeek as a leader in the Chicago technology ecosystem.

Chapter 7 Core Team & Advisors

Advisors



Genevieve Thiers

Genevieve is the founder of Sittercity.com, America's first online caregiving company. She was recognized by President Bush as the Small Business Administration Young Entrepreneur Champion of the Year for 2006, and her companies have won close to 20 major accolades. She has been featured on *the TODAY show*, *Ellen*, *the View*, *the CBS Early Show*, *CNN*, *Live & Style*, *The Wall Street Journal*, *The New York Times*, *Redbook*, *Parents*, *Parenting*, *Marie Clare*, *TIME*, *Better Homes and Gardens*, and *Working Mother*.

Genevieve is on faculty at the Farley School at Northwestern University, and has previously spoken or lectured at Harvard business school, Kellogg, Columbia, Babson, Boston College, U Chicago, and Microsoft.

Currently, she also heads the Rise Movement, which aims to tackle the economic apprehensions of the marginalized by holding tech leaders responsible for creating job opportunities, while upholding an emphasis on equal rights for genders, races and sexual orientations.



Gadi Cohen

Mr. Cohen is an established multi-family real estate developer with over 40 years of experience. He served as an officer in the Israeli army at a young age and immigrated to the United States when he was 23 years old. He currently manages 186 employees and 16 properties throughout Illinois, Indiana, and Wisconsin. Outside of the US, he owns and operates a diving hotel in Bocas del Toro, Panama. He also owns cacao and mango farms in Peru.

Chapter 7 Core Team & Advisors

Customer Testimonial

“As a sophisticated trader, my top two concerns entering the crypto space are security and a good deal. CoinFlip’s team has the best prices in the cash-to-crypto game by far; I couldn’t believe it when I saw one of their competitors charging north of a 15% mark up. I trust the CoinFlip team, and FlipCoin will pay for itself many times over in a very short period of time. A heavy discount off of the lowest fees simply can’t be beat.”

-Todd Horberg

Chapter 8 **Legality & AML Compliance**

Legality

As a federally-regulated money services business (MSB), CoinFlip is required to follow compliance protocol set forth by FinCEN. We are compliant with regards to collecting certain customer information, and preventing money laundering.

Anti-Money Laundering/Know Your Customer Compliance Protocol

At the ATMs, purchases of up to \$500 USD require phone number verification via a text code, and purchases from \$500-\$3,000 USD require users to take a selfie, and scan their government-issued ID on the ATM screen. For purchases between \$3000-\$7500, customers need to provide source of funds, purpose of funds, and a 9-digit social security number. Additionally, we verify their information on Blockscore.com, a very standard application dedicated to confirming identities.

Additional Notes

The CoinFlip team is working with outside legal counsel to ensure full compliance. Yet, the emerging cryptographic token space is currently unregulated and a lot of legal gray areas exist. Our goal is to be as compliant as possible within such a regulatory environment. Some argue that US securities regulations could apply to cryptographic tokens. CoinFlip does not believe tokens are considered securities under the Securities Act of 1933, as amended. That is because, among other things:

- Participation in CoinFlip's token sale, and any acquisition of FlipCoins, does not result in any interest, whether equity, derivative or otherwise, in CoinFlip.
- The purchaser of FlipCoins does not acquire any voting or economic rights in CoinFlip.
- The purchase of FlipCoins shall not have any expectation of deriving any value from CoinFlip.
- FlipCoins have no value, and the purchaser of FlipCoins should not expect FlipCoins to ever have value.
- FlipCoins have a utility only within CoinFlip's network. They may be redeemed for discounts, educational materials, apparel, consulting services, and events, among other things.
- FlipCoins serve as rewards tokens, and their associated discounts/benefits resemble a Sam's Club membership (purchasers save money in the long run by paying upfront).
- FlipCoins shall not expect any distribution or right to any profits from the operation of CoinFlip.
- The purchaser of FlipCoins should not expect any financial or economic returns resulting from the purchase of FlipCoins.

Chapter 8 Legality & AML Compliance

Tokens offered hereby in the United States will generally be sold only to “accredited investors,” as such term is defined in Regulation D of the Securities Act of 1933, as amended. The term “accredited investor,” with respect to natural persons, refers to: an individual whose net worth (excluding his or her principal residence) or joint net worth with his or her spouse at the time of purchase exceeds \$1,000,000; or a person who had an individual income in excess of \$200,000 in each of the two most recent years; or a person whose joint income with his/her spouse exceeded \$300,000 in each of those years and has a reasonable expectation of reaching the same income level in the current year. Alternatively, the term refers to certain specified entities, including an entity in which all of the equity owners are accredited investors. Each U.S. token purchaser will be required to represent that he, she or it is an accredited investor.

The contents of this document do not constitute legal advice, and we encourage prospective buyers with concerns to consult with an attorney. We expect the regulatory environment to evolve as the cryptocurrency space matures, and we will always do everything we can to make compliance a first priority.

These tokens do not have any value outside of CoinFlip’s network, do not indicate how well or poorly CoinFlip is performing, do not represent an ownership stake in CoinFlip, and should not be expected to rise in price/value over time.

Risk Factors

While CoinFlip does not believe FlipCoins are securities, to the extent they are securities, the following risk factors should be considered before purchasing any FlipCoins.

All of the Company’s investments risk the loss of capital. No guarantee or representation is made that the investment objective of the Company will be achieved. An investment in the Company is speculative, and involves certain considerations and risk factors that prospective purchasers of Tokens should carefully consider before investing. Token Purchasers must be able to bear the risk of loss of their entire investment. Moreover, Token Purchasers will have no control over any action by the Company.

1. Risks Relating to the Company and the Company’s Investment Strategy Generally

General Investment Risk: Generally, all investments risk the loss of capital. The Company’s portfolio positions may undergo significant declines due to the time decay of the Tokens. An investment in the Company should not be regarded as

Chapter 8 Legality & AML Compliance

a complete investment program and should be considered solely by investors prepared to experience extreme fluctuations in volatility and value. In addition, the value of each of the Company may decrease, or the Company may be unable to raise capital to finance operations, or the Company may become a party to, or seek protection in, bankruptcy, insolvency, reorganization or liquidation proceedings or other proceedings or relief under any bankruptcy law or any law. In other words, the risk attendant to each the Company is boundless, and no assurance can be given that the investment techniques and strategies will be profitable. Any of these events could seriously harm the Company and the value of Tokens.

Startup and Early-stage Company Risk: Investments in startups and early-stage companies are subject to varying degrees of risk. Startups often experience unexpected problems in the areas of product development, marketing, financing, and general management, among others, which frequently cannot be solved. In addition, startups may require substantial amounts of financing, which may not be available through institutional private placements, the public markets or otherwise.

Market Volatility Risk: Startups, early-stage companies, capital markets and securities markets have in recent years been characterized by high degrees of volatility and unpredictability. In addition, the U.S. and the other national economies in which the Company operates have recently undergone significant disruptions, and future economic conditions are uncertain. Both market and economic conditions and events may be expected to have an impact (potentially adverse) on the profitability and success of the Company. Any of these events could seriously harm the Company and the value of Tokens.

Hacking and Security Risk: The Company may be the target of malicious attacks seeking to identify and exploit weaknesses in the software or the CoinFlip network which may result in the loss or theft of Tokens. As a result, there is an ongoing risk that failures may occur and result in service interruptions or other negative consequences. Furthermore, if the Company's competitors develop more advanced technologies, the Company may be required to devote substantial resources to the development, introduction and marketing of more advanced technologies to remain competitive. The Company may not be able to keep up with these rapid changes in the future on a timely and cost-effective basis. Any of these events could seriously harm the Company and the value of Tokens.

Competition Risk: The Company faces significant competition in its industry. Certain competitors have larger client bases, more established name recognition and greater financial, marketing, technological and personnel

Chapter 8 Legality & AML Compliance

resources than the Company. These advantages may enable them, among other things, to adapt at a faster rate to market conditions, new technologies and client demands. The Company may not be able to compete effectively against these firms, particularly those with greater financial resources, and the Company's failure to do so could materially and adversely affect the long-term viability of the Company. Any of these events could seriously harm the Company and the Tokens.

Limited Operating History Risk: The Company was recently formed, and therefore has no operating history upon which potential investors may evaluate the Company's future performance. As a newly formed enterprise, the Company is subject to the typical risks attendant to any newly formed business with no operating history. This limited operating history makes it difficult to effectively assess its future prospects. These risks and difficulties include the Company's ability to, among other things: attract and retain an active customer base; provide service in a timely manner; earn and preserve the trust of customers; improve the quality of the customer experience; comply with existing and new laws or regulations; maintain a scalable and high-performance infrastructure to meet demand; deploy new or enhanced features and services; compete with other companies in existing or new markets; hire and integrate talent; expand the business into other markets.

Management Risk: The success of the Company critically depends upon, and is directly related to, the skills and efforts of management of the Company. In the event a key officer, director or employee of the Company ceases to provide services thereto for any reason, and although other personnel may be available to continue the operations at the Company, the operations of the Company could be adversely affected. There can be no assurance that the investment process or the business operations of the Company will prove successful under various market conditions and events. Any of these events could seriously harm the Company and the value of Tokens.

Funding Risk: As each of the Portfolio Companies engages in business, credit facilities for the Portfolio Company may become unavailable. There is no assurance that credit facilities will always be available to a Portfolio Company on attractive terms. Any of these events could seriously harm the Company and the value of Tokens.

Products and Service Risk: If the market for the Company's business does not develop as it expects, or if its fail to address the needs of this market, its business will be harmed. It may not be able to successfully address these risks and challenges, including those described elsewhere in these risk factors. Failure to adequately address these risks and challenges could harm its

Chapter 8 Legality & AML Compliance

business and results of operations. Any of these events could seriously harm the Company and the value of Tokens.

Customer Risk: The Company must continually attract new customers and retain existing customers in order to grow its business. Its ability to do so depends in large part on the success of its marketing efforts, its ability to enhance services and overall customer experience, to keep pace with changes in technology and competitors and to expand marketing partnerships. The Company cannot assure you that the Company's revenue from customers it acquires will ultimately exceed the marketing and technology and development costs associated with acquiring those customers. The Company may not be able to acquire new customers in sufficient numbers to continue to grow its business due to macroeconomic factors including, without limitation, increased competition, new regulations or other factors, or it may be required to incur significantly higher marketing expenses in order to acquire new customers. If the level of usage by existing customers declines or does not continue as expected, the Company may suffer a decline in customer growth or revenue. A decrease in the level of usage or customer growth would harm the Company's business and revenue. The institutions and customers with which the Company does business may encounter financial difficulties that impair the operational capabilities or the capital position of the Company. Any of these events could seriously harm the Company and the value of Tokens.

Forecasting Risk: New customer growth forecast is a key driver for startups and early-stage companies, which affects their ability to accurately forecast revenue. If the Company overestimates new customer growth, its revenue will not grow as it forecasts, its costs and expenses may continue to exceed revenue and its profitability will be harmed. In addition, the Company may plan operating expenses, including marketing expenses, and hiring needs in part on its forecasts of new customer growth and future revenue. If new customer growth or revenue for a particular period is lower than expected, the Company may not be able to proportionately reduce operating expenses for that period, which would harm results of operations for that period. Any of these events could seriously harm the Company and the value of Tokens.

Operating Loss Risk: You should assume that the Company has incurred significant operating losses in the past, that each may not be able to achieve growth, that each may not sustain any recent growth it may have experience, or that each may not be able to generate sufficient revenue to achieve or maintain profitability. If the Company is unable to maintain adequate revenue growth and to manage its expenses, it may continue to incur significant losses in the future and may not be able to achieve or maintain profitability. Any of these events could seriously harm the Company and the value of Tokens.

Chapter 8 Legality & AML Compliance

Media Risk: The Company may receive a high degree of media coverage globally. Unfavorable publicity regarding the Company could seriously harm its reputation. Such negative publicity could also adversely affect the customer base and result in decreased revenue or slower user growth rates, which could seriously harm its business. Any of these events could seriously harm the Company and the value of Tokens.

Credit Risk: As the Company's business continues to grow and expand, if at all, it may decide to engage in business with some of its partners on an open credit basis. While it may monitor individual partner payment capability upon grant of open credit arrangements and maintain allowances it believes are adequate to cover exposure for doubtful accounts, it cannot assure investors these programs will be effective in managing credit risks in the future, especially as it expands business internationally and engage with partners that it may not be familiar with. If it is unable to adequately control these risks, its business could be seriously harmed. Any of these events could seriously harm the Company and the value of Tokens .

Intellectual Property Risk: The Company may rely on trademark, copyright, patent, trade secret, and domain-name-protection laws to protect its proprietary intellectual property rights. In the United States and internationally, the Company may file various applications to protect aspects of intellectual property, and the Company may hold issued patents, registered trademarks or registered copyrights. In the future, the Company may acquire additional patents or patent portfolios, which could require significant cash expenditures. However, third parties may knowingly or unknowingly infringe the Company's proprietary rights, third parties may challenge proprietary rights held by the Company, and pending and future trademark and patent applications may not be approved. In addition, effective intellectual property protection may not be available in every country in which the Company operates or intends to operate business. In any of these cases, the Company may be required to expend significant time and expense to prevent infringement or to enforce its rights. Although the Company may have taken measures to protect proprietary rights, there can be no assurance that others will not offer products or concepts that are substantially similar to that of the Company and compete with its business. These issues could result in litigation and could require the Company to make proprietary information freely available, seek licenses from third parties to continue offering the Company's proprietary information, or cease offering the information associated, which may be very costly. If the Company is unable to protect its proprietary rights or prevent unauthorized use or appropriation by third parties, the value of its brand and other intangible assets may be diminished, and competitors may be able to more effectively mimic service and methods of operations. Any of these events could seriously harm the Company and the value of Tokens.

Chapter 8 Legality & AML Compliance

Intellectual Property Litigation Risk: Various companies own large numbers of patents, copyrights, trademarks, trade secrets, and other intellectual property rights, and frequently enter into litigation based on allegations of infringement, misappropriation, or other violations of intellectual property or other rights. In addition, various “non-practicing entities” that own patents, copyrights, trademarks, trade secrets, and other intellectual property rights often attempt to aggressively assert their rights to extract value from other companies. Furthermore, from time to time the Company may introduce new products or make other business changes, including in areas where it may not currently compete, which could increase exposure to patent, copyright, trademark, trade secret, and other intellectual property rights claims from competitors and non-practicing entities. From time to time, the Company may receive letters from patent holders alleging that some of its products infringe patent rights and from trademark holders alleging infringement of trademark rights. The Company may have been subject to litigation with respect to third-party patents, trademarks, and other intellectual property and it may expect to continue to be subject to intellectual property litigation. Any of these events could seriously harm the Company and the value of Tokens.

Other Litigation Risk: The Company may be, or become, involved in a lawsuit, including putative class action lawsuits. Any litigation to which the Company is or may become a party may result in an onerous or unfavorable judgment that may not be reversed on appeal, or the Company may decide to settle lawsuits on similarly unfavorable terms. Any such negative outcome could result in payments of substantial monetary damages or fines, or changes to the Company’s products or business practices, and accordingly its business could be seriously harmed. Although the results of lawsuits and claims cannot be predicted with certainty, there may be a risk of serious harm to the Company’s business. Even defending lawsuits may be costly and can impose a significant burden on management and employees, and the Company may receive unfavorable preliminary, interim, or final rulings in the course of litigation, which could seriously harm its business. Any of these events could seriously harm the Company and the value of Tokens.

Operating Results Risk: The Company’s operating results may fluctuate significantly from period to period as a result of a variety of factors, including purchasing patterns of customers, competitive pricing, debt service and principal reduction payments, and general economic conditions. Any of these events could seriously harm the Company and the value of Tokens.

Business Plan Risk: The Company’s business plans may change. Some of its potential business endeavors may be capital intensive and may be subject to statutory or regulatory requirements, which could materially alter the business

Chapter 8 **Legality & AML Compliance**

plan of the Company. Any of these events could seriously harm the Company and the value of Tokens.

2. Network of Cryptocurrency ATMs and Alternatives

It is possible that the CoinFlip Network will not be used by a large number of individuals, companies and other entities or that there will be limited public interest in the creation and development of distributed ecosystems. A lack of use or interest could negatively impact the development of CoinFlip's ATM network and therefore the potential utility of Tokens. Alternative ATM networks may be established that compete with or are more widely used than the CoinFlip Network. It is possible that alternative ATM networks could be established that utilize the same or similar open source code and protocol underlying the CoinFlip Network and attempt to facilitate services that are materially similar to the CoinFlip ATM Network. The CoinFlip Network may compete with these alternative networks, which could negatively impact the Company.

2.1. No Liquidity of Tokens

The Tokens are not liquid. CoinFlip has no intention of acting as a broker, dealer, or exchange, directly or indirectly, to effect any transaction in any tokens, or to report any such transaction, in interstate commerce, unless the exchange is registered as a national securities exchange under Section 6 of the Exchange Act of 1934, or is exempted from such registration. Nor does Coinflip have any intention of bringing together the orders for Tokens of multiple buyers and sellers and/or using established, non-discretionary methods (whether by providing a trading facility or by setting rules) under which such orders interact with each other, and the buyers and sellers entering such orders agree to the terms of the trade. CoinFlip has no obligation whatsoever to repurchase, redeem or otherwise reacquire the Tokens.

In addition, the Tokens are being offered without registration under the Securities Act, in reliance upon an exemption contained in Section 4(a)(2) of the Securities Act and SEC Regulation D promulgated thereunder. Certain restrictions on transferability preclude disposition and transfer of Tokens other than pursuant to an effective registration statement or in accordance with an exemption from registration contained in the Securities Act. In light of the restrictions imposed on the transfer of Tokens, and in light of the limitations imposed on Purchaser's ability to redeem his Tokens, an investment in the Company should be viewed as illiquid.

2.2. Dividends and Distributions

As a general matter, the Company does not expect to make any distributions or dividends.

Chapter 8 **Legality & AML Compliance**

2.3. Taxes

3. The tax treatment of the Tokens is uncertain and there may be adverse tax consequences for Investors upon certain future events. Each purchase should seek its own tax advice in connection with the purchase of Tokens. Any purchase may result in adverse tax consequences to the purchaser, including, withholding taxes, income taxes and tax reporting requirements. Each Investor should consult with and must rely upon the advice of its own professional tax advisors with respect to the United States and non-U.S. tax treatment of a purchase of Tokens and any rights associated therewith.

4. Risks related to blockchain technologies and digital assets

5. The regulatory regime governing the blockchain technologies, cryptocurrencies, tokens and token offerings is uncertain, and new regulations or policies may materially adversely affect the development of CoinFlip's business and the utility of the Tokens.

6. This Issuance of CoinFlip May Constitute the Issuance of a "Security" Under the Federal Securities Laws of the United States

7. FlipCoin is a utility token that has consumptive use – i.e. it allows participants in the CoinFlip to obtain discounts, among other things. Due to the nature of CoinFlip, we do not think it should be considered a "security" as that term is defined in the Act.

8. More than 2,000 Investors and Over \$10 Million of Assets
The Offering may be subject to registration under the Securities Exchange Act of 1934 if the Company has assets above \$10 million and more than 2,000 Investors participate in the Offering.

8.1. Consultants

The Company may utilize the services of one or more consulting firms to provide research, investment data, and portfolio management tools to the Company.

8.2. Lack of Participation by Purchasers

Purchasers have no right to participate in management decisions of the Company and their right to vote in a variety of matters, including amendments to the Company Agreement, is restricted.

8.3. Limited Regulatory Protection

The Company is not registered under the Investment Company Act, and the

Chapter 8 Legality & AML Compliance

offering and sale of the Tokens is not registered under the Securities Act or any similar state law, in reliance upon various exemptions. Accordingly, Purchasers do not have the benefits of certain regulatory protections provided by such registrations.

The Company is not registered as an investment adviser with the SEC under the Advisers Act or any state regulatory authority.

Although the Company may be subject to the securities laws of certain jurisdictions in which Tokens may be offered for sale, there can be no assurance that the Company will be subject to significant regulation under the securities laws of any particular jurisdiction. There may be other aspects of current or future regulation of investment partnerships, investment advisers and their affiliates or associated persons which could have an impact upon the Company's investment activities or operations.

8.4. Reserve for Contingent Liabilities

Under certain circumstances, the Company may find it necessary to set up a reserve for contingent liabilities.