



**#1 ICO Escrow Service**

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## Introduction

Blockchain as a decentralized and distributed database technology proved to be valuable, which is confirmed by fast growing worldwide interest in it. However, the new paradigm of relations between people, which excludes intermediaries (who are prone to manipulation) from this process, is not used at full scale. Business approach in organizations and services around blockchain is still no different from a classical, capitalist approach: projects using blockchain must consult with law firms, banking institutions, tax advisers, etc., as they have to act within the laws of selected jurisdictions.

At the same time, we are seeing a trend to adapt the classical 'consulting' to the rapidly changing reality. Companies that provide services to support business processes are faced with the need to research and develop new solutions for such an economic and technological phenomenon as blockchain.

An equally important challenge for legislative authorities and specialists is presented by ICO, which is a new type of financing of business ideas and projects, which appeared couple of years ago and is gaining more and more popularity. The volume of funds entering the economy in the form of ICO is growing from year to year and already amounts to billions of dollars<sup>1</sup>. At the same time, there is an obvious problem of the lack of effective regulation and mechanisms to ensure control and security in this area, which results in frequent cases when investors lose their funds.

Slow development of legal regulations around blockchain and ICO campaigns sets a difficult task for consultants, financial regulators, ICO projects and investors: they must create a viable business model that considers interests of all participants, while there are currently no clear rules for 'the game'. Current situation in ICO market creates a demand for efficient and at the same time convenient instruments to protect investors' interests.

Arbi's mission is to protect investor funds during ICO and to provide a full range of legal services to ICO teams. We are currently developing verified legal solutions that ensure that ICO team operates within the legal framework in the relevant jurisdiction. Under the Arbi brand, we build an expert team to create Escrow agreements and monitor their execution. Arbi develops and offers solutions to the market that will help investors protect their

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<sup>1</sup> <https://www.coinschedule.com/stats.php>

<sup>2</sup> <https://icostats.com/roi-since-ico>

investments, and assist ICO teams in increasing attractiveness of their projects by ensuring that their activities are legal and transparent.

To achieve the above objectives, which would involve a global legal research followed by development and launch of much needed 'packaged solutions' for ICO legal framework, Arbi will hold three financing rounds from October 2017 to January 2018. By April 2018, we plan to service an average of 10 ICOs per month with a total revenue from escrow services of \$2 million per month.

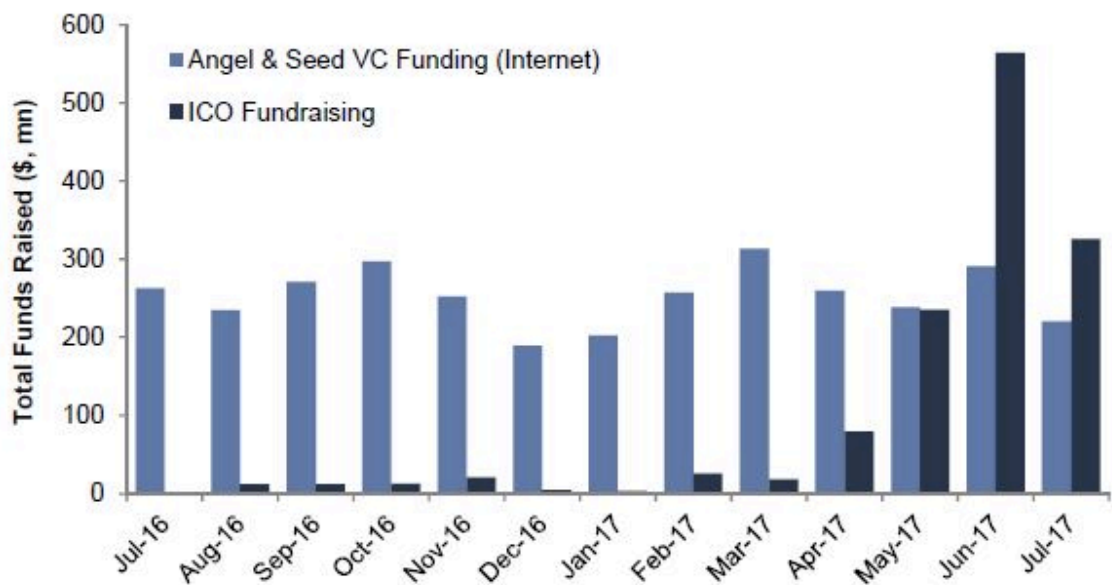
## 1. ICO (TGE) Market Overview

ICO (Initial Coin Offering) is a mean of attracting investments into new technological projects and start-ups in the form of emission and sale of new crypto-tokens to investors. Unlike IPO investors, cryptocurrency investors do not receive a stake in the company and cannot in any way influence the internal management decisions. In fact, ICO is another implementation of a crowdfunding model, where participants finance the company development on the start-up stage and receive in return a digital asset, that allows them to use the product or technology at more favorable terms.

Thanks to the simplicity of fundraising process and growing popularity of cryptocurrency, ICO has become the most popular method of raising funds for start-up projects in 2017. Below is the volume of funds raised in ICO compared to angel and seed fundings:

**Exhibit 8: The pace of ICO fundraising has now surpassed Angel & Seed stage Internet VC funding globally**

Total Funds Raised by month (\$, millions)

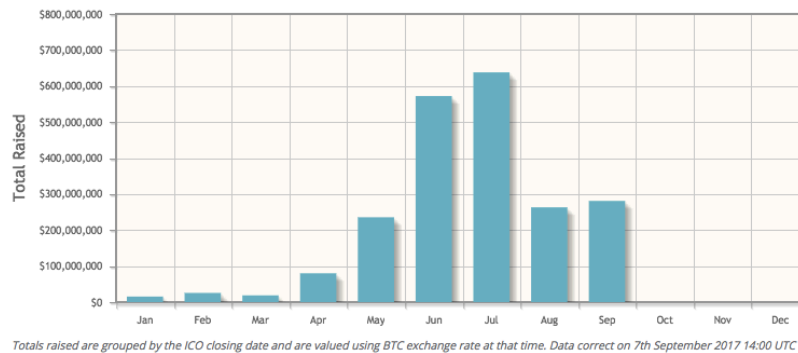


Note: ICO fundraising as of July 18<sup>th</sup>, 2017, per Coin Schedule. Angel & Seed VC funding data as of July 31<sup>st</sup>, 2017 and does not include "crowdfunding" rounds.

Source: CoinSchedule, CB Insights, Goldman Sachs Global Investment Research.

Amount of ICO investments in 2017 is already exceeding \$2 billion while the total number of ICOs is getting close to 200. These numbers are expected to grow exponentially in future.

## Cryptocurrency ICO Stats 2017



**Total Raised: \$2,128,936,697**

Total Number of ICOs: 140

### Top Ten ICOs of 2017

Position	Project	Total Raised
1	Filecoin	\$257,000,000
2	Tezos	\$232,319,985
3	EOS Stage 1	\$185,000,000
4	Bancor	\$153,000,000
5	Status	\$90,000,000
6	TenX	\$64,000,000
7	MobileGO	\$53,069,235
8	Sonm	\$42,000,000
9	Aeternity	\$36,960,594
10	Monetha	\$36,600,000

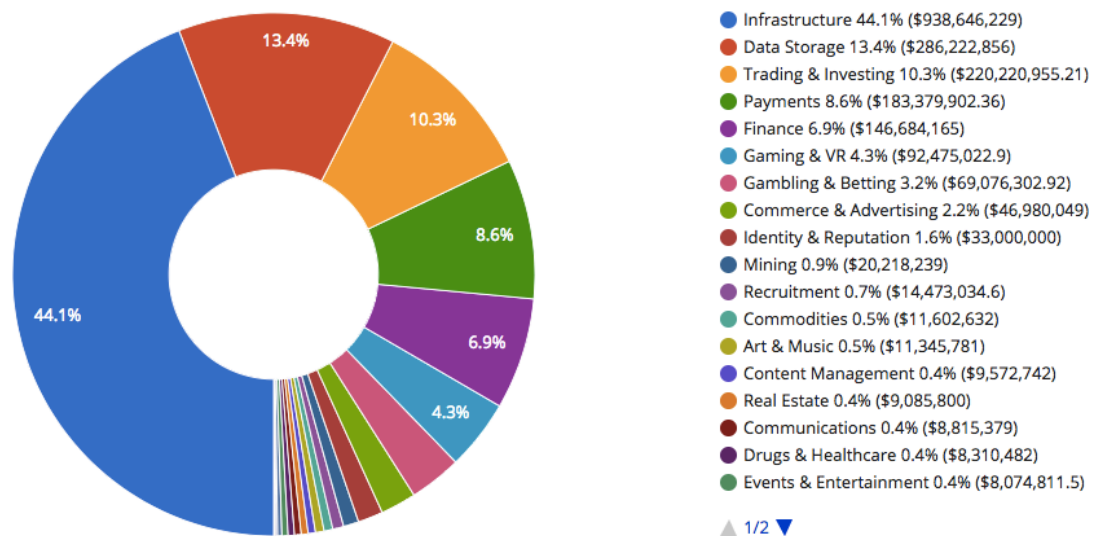
In large part, such growth of ICO quantity can be attributed to the overwhelming profitability of some of the previous ICOs which brought more than 10,000% (x100) profit within 1-2 years after launch<sup>2</sup>.

ROI SINCE ICO			
Filters: <input type="checkbox"/> ERC-20 Only			
	NAME	CHANGE (%)	ICO DATE
	NXT Buy Instantly	+429396%	09/28/13
	IOTA	+137135%	11/25/15
	Ethereum Buy Instantly	+90390%	07/22/14
	Neo	+65359%	10/01/15
	Stratis Buy Instantly	+63992%	06/20/16
	Spectrecoin	+51121%	11/20/16
	Ark	+37031%	11/07/16

Majority of ICO projects are built around infrastructure solutions (platforms) and data storage using blockchain technologies. Here is the list of most popular ICO categories as of today (note that Legal Services category is not in the list):

<sup>2</sup> <https://icostats.com/roi-since-ico>

## ICOs by Category 2017



Currently there are almost no special laws or jurisdictions regulating ICOs, which means that for an investor, any purchase of a token or cryptocurrency is solely a trust-based transaction<sup>3</sup>. As in crowdfunding, the team may fail to release the product, or product can become a complete disappointment for the investor even if released. Finally, some crafty scammers can simply deceive investors by launching an ICO for a project they did not intend to develop<sup>4</sup>.

The cryptocurrency enthusiast and Principal of Runa Capital in San Francisco, Nick Tomaino, blogged<sup>5</sup> in 2016 about irrationality of many ICO investors. Projects with nothing more than a website and a rough business model outline in whitepaper raised several million dollars in a matter of hours or days, while many really working promising projects with cash flows and customers fail to attract similar amounts.

To earn the investor trust, some ICO projects involve a third party, a sort of arbitrators, who act as intermediaries between investors and projects. Others form legal entities and impose restrictions on themselves which limit their ICO funds spending options.

<sup>3</sup> <https://www.if24.ru/gde-iskat-zashhity-na-ico/>

<sup>4</sup> <https://vc.ru/p/ico-faq>

<sup>5</sup> <https://medium.com/@ntmoney/irrational-appcoin-exuberance-b6ea86d58b8a>



### 1.1. Current Issues and Risks

It is hard to keep up with fast growing investment instrument of ICO using common sense together with pragmatic and accurate calculations. Market is overflowing with new projects and it is not feasible to check that project team intentions are clear and their business plan is viable. Tight deadlines and fast pace of fundraising campaigns do not allow investors to perform due diligence before investing. People invest in the maximum number of projects without a proper analysis, hoping to buy the shares of another 'APPLE' or 'GOOGLE'.

Blockchain technology could really give rise to companies with multibillion-dollar capital. At the same time, there is a risk of fraud projects, where teams starting a fundraising campaign may not necessarily plan to withdraw collected funds and disappear immediately after ICO end. But that's only until the moment comes when they receive large funds, which they consider enough for long comfortable living, knowing that they will not be liable for not returning the funds to investors. That's when they become passive and reluctant to implement the idea, because the profit that they would get with project completion is delayed in time, and that profit is not guaranteed, while ICO funds are already in their hands. Thus, this innovative fundraising approach of ICO is currently in a compromised position.

#### Existing problems of ICO market

- Lack of trust in start-ups
- No instruments for investors to control the expenditure of funds during project implementation
- Lack of instruments which guarantee that investment will be returned in case the team fails to complete the roadmap
- Lack of initiative from ICO Team on providing measures for ICO funds protection

There are several known cases of high-profile ICO projects where investors lost their funds due to hacker attacks or fraud intentions of the project team<sup>678</sup>. There were also

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<sup>6</sup> <https://forklog.com/desyataya-chast-mirovyh-investitsij-v-ico-okazalas-v-rukah-moshennikov/>

<sup>7</sup> <https://cointelegraph.com/news/ico-investors-beware-there-is-thin-line-between-hacks-and-scams-opinion>

cases where project credibility was undermined and investments were partially lost due to actions of only one member of the team<sup>9</sup>.

Based on the market research described above, we can conclude that there is an existing demand for ICO regulation and control services offered by **Arbi Escrow Service**.

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<sup>8</sup> <http://fortune.com/2017/07/18/ethereum-coindash-ico-hack/>

<sup>9</sup> <https://vc.ru/p/identify-scam>

## 2. What is Escrow

Escrow account is a dedicated account which keeps assets, documents or cash until occurrence of circumstances or until specified obligations are implemented.

The essence of escrow is when buyers and sellers use a 'third trusted party' to hold funds until all parties fulfill their obligations. Thus, an escrow has a single purpose - to guarantee implementation of these obligations. Consequently, the number of claims for transactions with escrow is negligible, since each of the parties is interested in fulfilling the conditions which were stipulated in advance.

When payments are made through the escrow account, escrow agent transfers the funds from account to one party only if this party has fulfilled its obligations to another party. Therefore, escrow account allows parties to ensure fulfillment of obligations and minimize the risk of fraud by one of the parties.

With regards to ICO Escrow market, 'multisig' is an effective solution for increased security of collection, storage and distribution of funds received during ICO / TGE.

Technically speaking, the 'escrow' term does not really fit the ICO process, since in traditional escrow, due to lack of confidence that he will be paid for goods or services, the seller (beneficiary) starts fulfilling his obligations according to agreement only after the buyer (depositor) transfers amount of funds stipulated in the contract. The lack of legislative qualification of ICO fundraising does not allow us to accurately determine the legal nature of relationship between investor and the ICO team. However, currently such relations are not qualified either as an asset sale contract (even if asset is created in the future according to the Roadmap), nor as a service agreement. Certain IT law experts suggest treating ICO fund raising as a gift or donation. This excludes the possibility of using Escrow, because there is no counter-execution in donation: the donator has no obligation to provide any goods or services to the donor. From our point of view, this qualification is incorrect, since ICO organizers do offer bonuses, services, participation in profits, etc. to their investors.

We use the 'escrow' term due to established practice, but we believe that relationship between investors, ICO team and the intermediary which controls the expenditure of funds, can be qualified as a 'mixed letter of credit', which is possible given the principle of freedom of contract.

## 2.1. Problems of existing Escrow Agreements

According to our research, only a small part of ICO projects currently use Escrow during fundraising. Moreover, Escrow agent roles are often represented by unknown ‘lawyers’ ‘economists’, ‘consultants’, ‘advisors’, ‘market leaders’, etc., who are selected strictly by the project team itself, and not by an outside organization (which is an accepted practice in traditional Escrow agreements widely used by such giants as eBay and Alibaba).

There is also a common practice of so-called Bogus Escrow or Fictitious Escrow. In a fictitious Escrow, the beneficiary (ICO team) does specify the addresses of multisig wallets, but the keys to them are owned by the team themselves, and not by the designated people (escrow agents).

Another problem of Escrow agreements in ICO is the lack of a clear contract which would describe the terms and conditions of spending investments and warrant their safety and withdrawal if ICO team fails to fulfill their obligations. In most cases the team just announces the presence of an Escrow agent in their project, who ‘will control the expenditure of collected ICO funds.’ At the same time, they provide no information disclosing any of the following:

- Escrow agent responsibilities
- Investment withdrawal process
- Conditions for approval of the next funding rounds
- Guidelines on accessing the reports on funds expenditure

Investors are often not able to verify information about an Escrow agent and his activities, which undermines the very idea of an Escrow agreement.

### 3. Description of Arbi Escrow Service

The solution to above problems is the Arbi Escrow service, which selects experts according to specifics of each ICO project, thus, eliminating possibility of fraud or uncoordinated distribution of funds.

**Our mission** is to protect investor funds during ICO

**Our goals:**

- Ensure investment protection by attracting relevant experts
- Increase transparency of ICO funds spending
- Establish the best practice of using Escrow with ICO
- Increase confidence of potential investors in ICO by reducing the risk of fraud
- Create a community of ICO Escrow experts

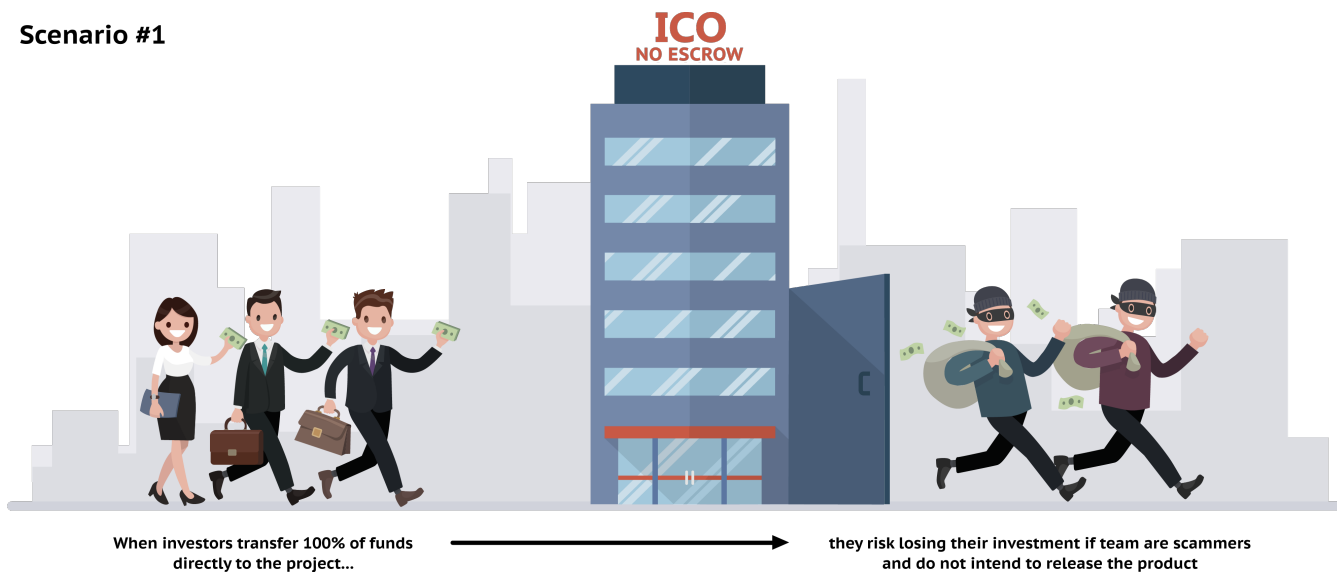
With the help of expert community, Arbi regulates the financing of the project, providing funding in stages according to product development milestones predefined in the project roadmap.

It is obviously impossible to write an application, create a prototype and a profitable business quickly. Project development stages are set apart in time and take at least six months to complete, or even more. Therefore, it is considered a normal practice for a project to create a complete business plan with detailed RoadMap, and receive financing in stages. Otherwise, the project raises doubts related to its viability and proper use of the raised funds.

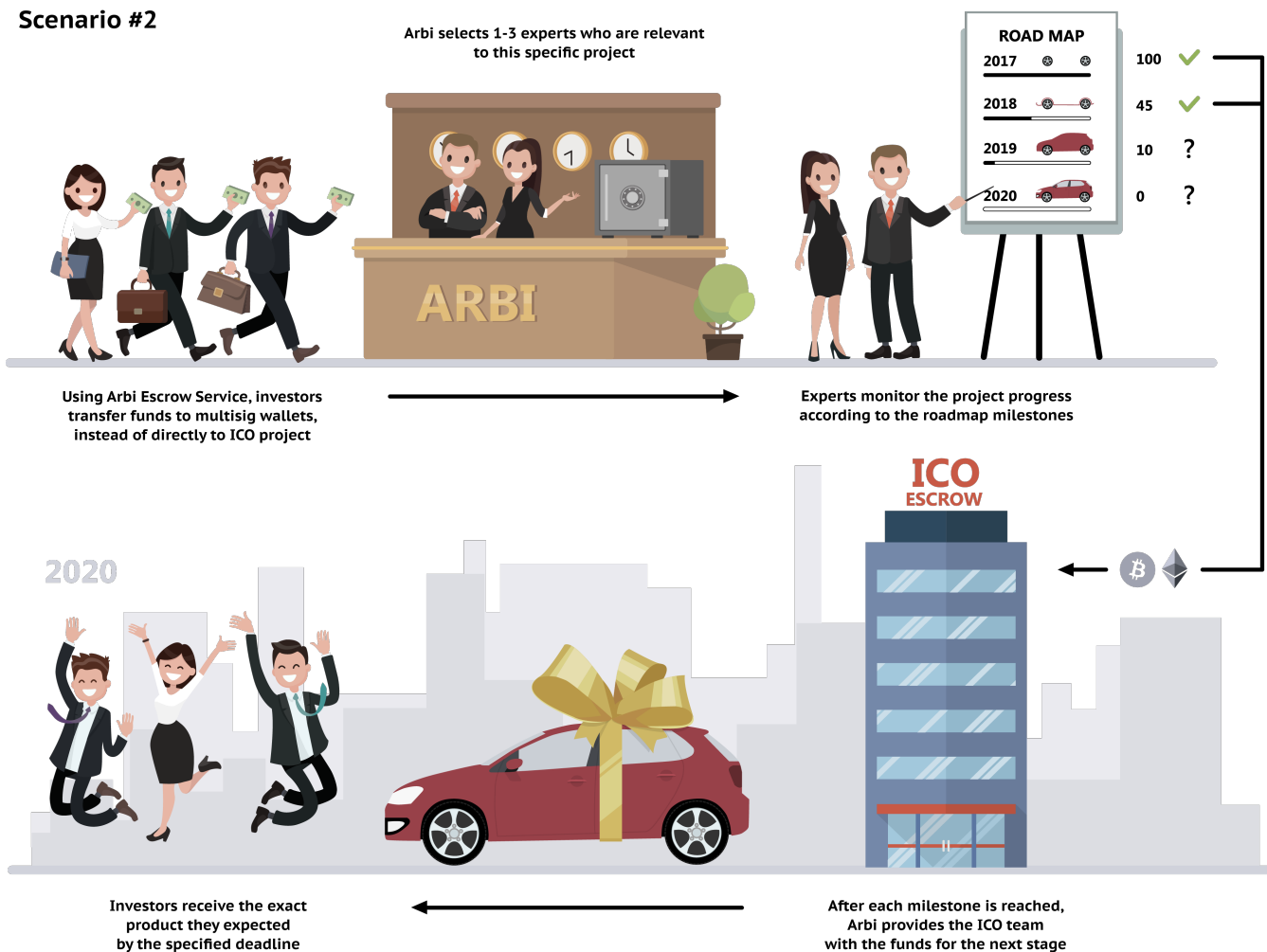
Each project stage includes the necessary deliverables, which the project commits to complete by a certain date and present to experts in order to receive the next round of financing.

The operations of the Escrow service are illustrated below:

## Scenario #1



## Scenario #2



### **3.1. Who needs Arbi?**

#### **Investors**

Arbi provides the maximum safety of invested funds. In case the ICO project team is non-compliant with established obligations, or unreasonably fails to meet deadlines for project execution, the funds are returned to investors.

#### **ICO projects**

Arbi ensures that ICO team is committed to create a complete product, which they announced at the start of the campaign, and makes the project more attractive for conservative investors who have high requirements for their investments security.

#### **Experts**

Arbi presents experts with an opportunity to serve as escrow agents, gain reputation and experience, and become a part of growing community of ICO experts.

Arbi Service will be creating an ecosystem including the following functionality:

- Providing investors of our ICO Clients with:
  - Information on Roadmap progress
  - Customized reports on transactions and Escrow account statement
  - Comments from Escrow agents
- Creating security protocols for each ICO project to protect investments from hacker attacks on multisig wallets, from fraud attempts made by dishonest team members, from sanctions and legal prosecution by controlling agencies
- Creating an accurate and clear smart contract that determines terms and conditions for financing and return of investments in case the project team violates obligations described in the RoadMap.

### 3.2. Strategic Partners

At the moment Arbi team is negotiating or has already signed agreements on strategic partnership with the following companies:



Location: Zurich, Switzerland

Malkov and Partners law firm is exclusively specialized in advisory on asset protection, tax planning and succession planning, with more than 10 years of experience. Company's professionals design and implement holding structures within different jurisdictions, depending on the business and beneficiaries needs. Company is authorized by Swiss regulator FINMA for Escrow Account transactions.



ADVOCATEN • BELASTINGADVISEURS • NOTARISSEN

Location: Luxembourg, Luxembourg

International consulting company, developing guidelines for the legal support of ICO.



Location: Zug, Switzerland

schelbertlaw is a law firm and notary's office in Zug, Switzerland. Activities encompass all fields of law including IT law consulting.



### 3.3. Competitive Advantages

There are no direct competitors to our service on the market as of today. However, we can identify certain signs of indirect competition, such as:

- Proposals from large consulting firms

Market research shows that large consulting firms are considering the opportunity to act as Escrow agents in ICO, but the terms for such collaboration are hard to define. The scale of such companies, combined with the legal uncertainty of cryptocurrencies and related transactions, makes participation in ICO projects a risky business for them. As these operations can adversely affect their main consulting business, it ultimately reduces the likelihood of their involvement. Also, such companies request high commissions, up to 4% of the collected funds.

- Offers from Escrow agents published on crypto communities

Communities like [bitcointalk.org](https://bitcointalk.org) present offers from 'experts' who position themselves as Escrow agents. However, it is often not possible to check qualification and portfolio of these experts, or findings suggest that this is a SCAM (fraud). The goal of Arbi instead is to build the most transparent company with an impeccable reputation and qualified, market-recognized experts.

- Smart contracts that replace the services of Escrow agents

One of protection tools for ICO investment funds is a multisig wallet managed by preconfigured smart contract. Such smart contract automatically determines the conditions to continue project financing or return the funds to investors. We consider this contract design to be a promising direction that deserves attention, however, at the moment it is too complex and rigid. Only few teams have the necessary financial, time and technical resources to create such a complex contract. It should also be noted that such contract does not take into account the force majeure circumstances. For example, when project team worked diligently but RoadMap deadlines were still missed due to some external circumstances, funds will be automatically returned to investors and the project would fail to complete. The goal is to describe all possible risks and lay the algorithm of actions in a smart contract without the possibility of changing it (otherwise the "reliability" factor of the smart contract is lost) is currently unachievable. The major problem in creating autonomous contracts is their inability to "independently" receive information from outside. The execution of a smart contract requires the presence of an "oracle" - a third party that will validate the fulfillment of obligations by the ICO team.

### 3.4. Steps of preparing an Escrow Agreement with an ICO-client

1. A potential ICO-client (hereinafter referred to as Client) provides a primary set of documents<sup>10</sup>.
2. Arbi team checks the following information based on submitted documents:
  - Biography and portfolio of the Client team members
  - Legal information and risks:
    - Client's incorporation
    - Facts about the legal persecution of team members
    - Restrictions on jurisdictions and product
    - Verification of already reached RoadMap milestones
3. Based on the project analysis, Arbi:
  - Collects and analyzes experts' proposals
  - Assigns one legal and one technical expert for the project (depending on the complexity of the project, in some cases the number of experts can be increased)
4. Arbi sends an offer to the Client which specifies
  - Price of services
  - Terms including but not limited to:

	Legal Expert	Technical Expert
<b>RoadMap</b>	<ul style="list-style-type: none"><li>• Timeframes for<ul style="list-style-type: none"><li>• incorporation</li><li>• Legal R&amp;D</li><li>• Legal framework of the Client</li></ul></li></ul>	<ul style="list-style-type: none"><li>• Proposals for adjusting timeframes of technical stages implementations</li></ul>
<b>WhitePaper</b>	<ul style="list-style-type: none"><li>• Disclosure of legal risks</li></ul>	<ul style="list-style-type: none"><li>• Requirements for detailing of product/service development stages</li></ul>

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<sup>10</sup> Including but not limited to:

- White Paper with biography and portfolio of team members
- RoadMap
- Registration documents

	Legal Expert	Technical Expert
<b>Team members</b>	<ul style="list-style-type: none"> <li>• Exclusion of a team member who is being prosecuted by financial and / or law enforcement agencies</li> <li>• Exclusion of a team member who is known to participate in SCAM projects</li> </ul>	<ul style="list-style-type: none"> <li>• Recommendations to include a relevant specialist into the team</li> </ul>

Any requirements set by Arbi Escrow agents can be dictated solely by the purpose of protecting investors' funds. They cannot relate to economic model, the choice of counterparties, partners, advisers, or the idea of a product or service.

Requirements for the Client's primary documents are dictated by the goal of creating a transparent smart contract that regulates the following:

- Financial rounds and their size
  - when soft cap is reached
  - when hard cap is reached (if any)
  - when amount of raised funds is between soft cap and hard cap (if any)
- Approval terms of each financing stage
- Termination of financing
- Process of investment withdrawal

5. If Customer accepts the offer, an Escrow agreement is signed.

### 3.5. Escrow agreement execution stages

1. Arbi starts developing smart contract using multisig in accordance with the terms and conditions set in the Escrow Agreement

2. Multisig-wallet address, expert names, and terms described in 3.4.4 are published in the following places:

- WhitePaper
- Additional agreement to Escrow Agreement
- Project website
- arbi.expert website

3. When funds are raised, the parties start fulfilling conditions of agreement
4. When approaching the date of the next funding round, the expert:
  - fills out and approves the report form<sup>11</sup>
  - approves or declines project transition to the next financing stage
5. The end of financing is documented in the report prepared by Arbi team and involved experts.<sup>12</sup>

### 3.6. Voting system and conflict resolution

Based on the 'Client - Arbi – Expert Lawyer - Technical Expert' model, decisions are made based on the '3-out-of-4 signatures' rule. If the number of experts in a specific project is greater, the signature distribution system is adapted accordingly.

Each party in Escrow agreement owns one signature per multisig contract. One signature is owned by Arbi. However, Arbi can use it only in two cases described below:

- if one of the experts cannot physically continue execution of the Escrow agreement (loss of the key, loss of legal capacity, death, other circumstances preventing the expert from fulfilling obligations)
- in a conflict situation where an expert unreasonably refuses to fulfill his obligations

Decision to use Arbi signature is made by majority-based voting (between CEO, CFO, CTO). It is documented as a separate resolution and published on the [arbi.expert](https://arbi.expert) website.

### 3.7. Criteria for Arbi Expert pool qualification

As one of our main goals is to build an expert community around ICO, we will continuously seek and qualify highly-skilled professionals with relevant legal and technical expertise.

Qualification criteria include but are not limited to:

Legal Expert	Technical Expert
Law degree	Technical qualification and expertise in blockchain

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<sup>11</sup> This report is public and accessible to investors

<sup>12</sup> Report is prepared in case of both successful completion of the roadmap or when it is decided to stop the financing and return funds to investors

Experience in legal support for: <ul style="list-style-type: none"> <li>• Escrow agreements</li> </ul> or <ul style="list-style-type: none"> <li>• Letters of credit</li> </ul> or <ul style="list-style-type: none"> <li>• Potestative conditions</li> </ul>	Verified biography and portfolio
Certificates of admission, licenses, accreditations to the practice of law in that jurisdiction	Experience related to a successful ICO (when ICO achieved at least a soft cap at any stage of financing)

When qualified, experts are provided with personal accounts in arbi.expert system which they will use to communicate with ICO Clients.

## 4. Token Sale structure

ARBI tokens are developed on Ethereum blockchain using the ERC20 standard. As confirmed by our Advisory Board and the leading legal consultants, ARBI is a Utility token, through which customers can receive a discount on our services. As a bonus, early investors will also receive a compliment.

ARBI tokens can be accessed through any ERC20-compliant wallet<sup>13</sup>.

### 4.1. Private financing round

Private round of financing is held to attract primary funds needed for Arbi project implementation. Participants are able to purchase ARBI tokens with a three-fold multiplier. Private round will last until the middle of October 2017 or until the hard cap of \$50,000 is reached. The minimum threshold for investor's entry in the private financing round is \$10,000.

### 4.2. Pre-sale

Pre-sale will start in mid-November 2017 and will last for two weeks or until the hard cap of \$500,000 is reached. Pre-sale participants will be able to purchase ARBI tokens with a double multiplier.

Funds raised in the first two rounds will be used to implement technical solutions (develop a smart contract with multisig), complete staffing of the project team and expert pool, and run marketing campaign for the Token Sale.

### 4.3. Token Sale

The price of 1 ARBI Token on Token Sale will be 0.01 ETH.

Token Sale will be launched no later than the end of January 2018 and will last two weeks. Soft cap is \$1,500,000, and hard cap is \$10,000,000. If soft cap is not reached, the Token Sale funds will be automatically returned to investors via smart contract.

### 4.4. Token Sale Cost Models

Token sale has two cost models: Soft cap и Hard cap.

Soft cap. Company develops Escrow service with related legal support.

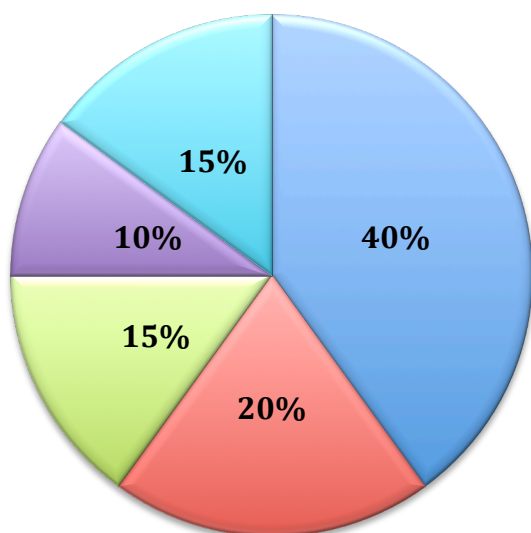
Hard cap. Company develops complete legal framework for ICO campaigns.

Depending on the model, costs will be allocated into the following categories:

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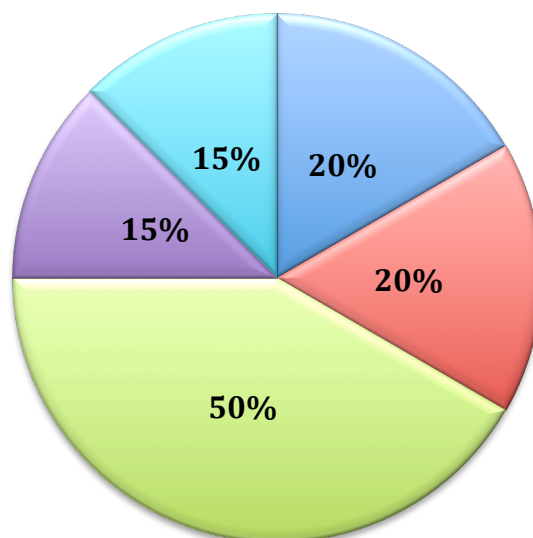
<sup>13</sup> <https://ethclassic.ru/2017/06/01/tokens-for-beginners/>

1. **Technical solutions** involve building a platform with personal accounts for each ICO, development of Escrow smart contract with a multisig of increased security.
2. **Marketing campaign** is aimed at spreading information about the Arbi service, collecting the contact database of potential ICO Clients and attracting relevant experts to the team. It will include holding Road Shows on the world's major crypto-exchange meet-ups and conferences from October 2017 to January 2018. We will also run online campaign with targeted social network advertising, posts in targeted online communities, publications in relevant media and collaboration with popular bloggers and industry thought leaders.
3. **R&D (research and development) of legal framework** involves research of current legislation related to ICO and cryptocurrency, and lobbying clear regulations in the main countries of our market.
4. **Administration costs** include operational and associated costs to support the project team and key experts. They also include reserve funds for the first ICOs, since Clients pay for the Arbi services only after their ICO stages are successfully completed, while spending is required on initial stages when experts are involved and smart contract is written.



■ Technical solutions  
■ Marketing  
■ R&D of Legal Framework  
■ Project Team  
■ Administration costs

**Soft Cap, \$1'500'000**



■ Technical solutions  
■ Marketing  
■ R&D of Legal Framework  
■ Project Team  
■ Administration costs

**Hard Cap, \$10'000'000**

## 5. Economic model and Investor interest

**ARBI Token** can be used to receive discounts on Escrow and other legal services of Arbi. The price of services varies depending on the amount of funds collected in ICO. Escrow services price will be calculated according to the following rules:

- Up to \$1.5 mln of ICO funds = \$30,000
- From \$1.5 до \$10 mln = 2% of ICO funds
- More than \$10 mln = 1.5% of ICO funds

Arbi investors will be able to receive the following benefits from token purchase at the initial financing stages:

- **Discount on Arbi services.** ARBI tokens can be used to pay for up to 30% of total price of escrow services and up to 50% of legal services with a fixed rate of 1 ARBI = 0.02 ETH. Thus, early stage investors can immediately get at least duplicated value of ARBI token relative to the invested funds. Arbi team reserves the right to revise the ratio in case there is significant exchange demand for ARBI token.
- **Compliment to the investor and token burn.** Each quarter Arbi team will distribute 5% of all earned tokens among all holders of tokens as a compliment. The rest of tokens (95%) will be burned, which will lead to a permanent decrease in the total supply of ARBI in turnover and a consistent increase in the exchange price of the token.

Increasing demand for Arbi's escrow and other legal services, coupled with burning of the team's tokens and bonus policy, will help ARBI token exchange price to grow. To increase its liquidity, ARBI token will be listed on popular cryptocurrency exchanges.

During our ICO stage, we will present several confirmed ICO clients using our escrow services. Thus, the economic model will be already operational during the main token sale.

By Q3 of 2018, we plan to reach the volume of 10 serviced ICO per month with total \$2 mln revenue from Arbi services.



## 6. Legal restrictions on token purchase

### USA

In July 2017, Securities and Exchange Commission (SEC) decided that some tokens could be considered securities and, therefore, are subject to regulation by the SEC. The ruling followed a SEC investigation in a German company called 'DAO' (Decentralized Autonomous Organization), which raised \$150 million during ICO last year. DAO issued tokens which were used to implement an automated investment strategy, that allowed token owners to receive 'rewards' similar to dividends<sup>14</sup>. The SEC also inspected Protostarr, a decentralized application that allows content creators to receive funding from fans and investors in exchange for channel revenues, and closed their token sale. By offering dividends and distribution of profits, these companies clearly offered a security and did not pass the Howey test created by the US Supreme Court. Under the Howey Test, a transaction is an investment contract if:

1. It is an investment of money
2. The investment of money is in a common enterprise
3. There is an expectation of profits from the investment
4. Any profit comes from the efforts of a promoter or third party

ARBI is a utility token used to pay for Arbi platform services, such as escrow and legal support. ARBI is not backed by real assets and does not give the token owner any ownership of the company or dividends. Therefore, ARBI cannot be considered as a security.

Citizens and residents of the United States can use ARBI as a utility token to pay for the services of our platform, or exchange it for other cryptocurrencies not supported by assets (for example, bitcoin, ethereum, etc.).

### Canada, Singapore and Hong Kong

In July 2017, The Singapore Monetary Authority (MAS) said that tokens would fall under their jurisdiction if they 'constitute products regulated in accordance with the Securities and Futures Act.' 'Some tokens may be subject to this law, while others are not. Thus, all issuers of digital tokens, intermediaries who provide assistance or advice, and platforms that promote digital tokens, should seek independent legal advice to ensure compliance with all applicable laws and, if necessary, consult with MAS', - said MAS representatives. In

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<sup>14</sup> <https://www.sec.gov/litigation/investreport/34-81207.pdf>

August 2017, The Canadian Securities Administration (CSA), issued notice 46-307 of the initial offers of coins (ICOs) referring to the same Howey test to determine if the token falls under the definition of a security. Also, at the beginning of September 2017, Hong Kong's financial regulator, the Securities and Futures Commission (SFS), announced that tokens issued through the ICO could be classified as securities.

## **China**

Due to recent restrictions of token sale by China government, ARBI tokens will not be sold to residents and citizens of China until the county regulations are changed correspondingly.

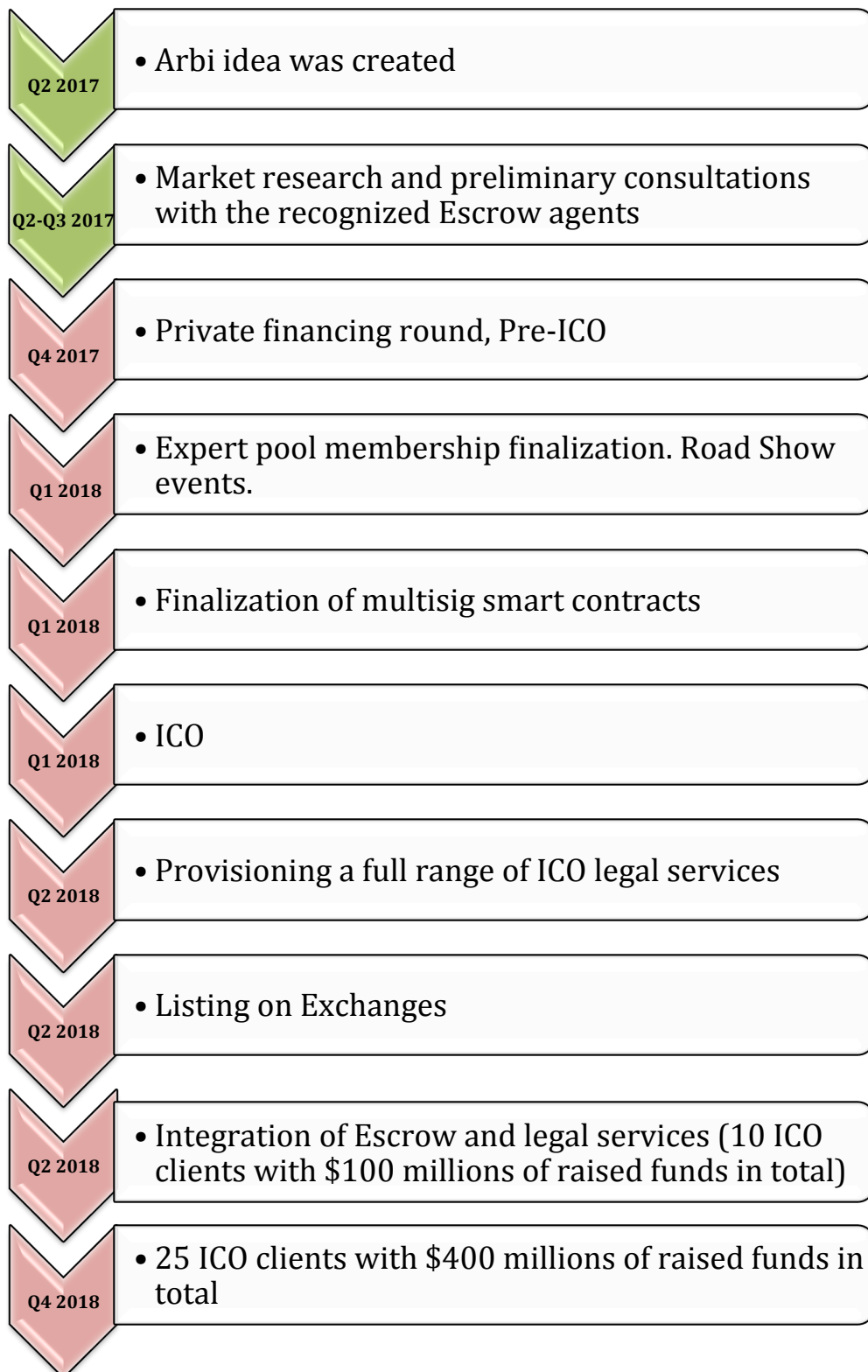
## 7. Long-term development plan

The long-term development plan of Arbi service includes extending the range of services aimed at protecting ICO investments, and defining ICO legal framework.

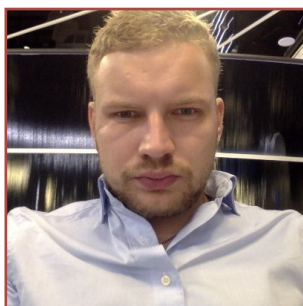
Our main extended goals include the following:

1. Development of services which protect ICO funds in an aspect of legal risks  
Safety of investors' funds cannot be guaranteed without the legal framework of ICO. Currently due to the lack of a complete legislation governing blockchain technology, cryptocurrencies and ICO, majority of teams run their ICO campaigns in a 'gray zone'. There is no direct ban on their operations (except in China), but some of their activities may entail prosecution by financial and law enforcement agencies. By the time most countries develop transparent jurisdictions for their legislative framework for ICO, Arbi will be able to present developed solutions to the market for their legal support.
2. Development of 'packaged' and custom solutions for ICO in relation to tax planning and asset protection
3. Audit of ICO economic models and accounting
4. Building a leading consulting company in the ICO field.

## 8. RoadMap

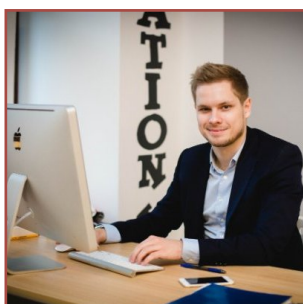


## 9. Arbi Team



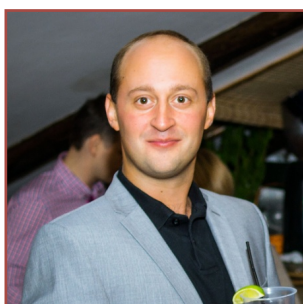
Alexander Malkov - CEO, Co-Founder

Entrepreneur, Lawyer in the fields of Energy and Intellectual Property law



Dominik Shpota – CFO, Co-Founder

Entrepreneur, Financial Director of kpa.ru, Managing Partner of SB Burgers



Dmitry Mishunin – IT Business Partner

Entrepreneur, Coach, Troubleshooter, with 10 years of management experience in IT. Developed several large e-commerce projects. Founded an internet marketing agency and a software development studio.



Benoît America - International Escrow Advisor

Investment Management Consultant



Carlos Paschalides - International Advisor

Corporate Law Specialist of the Republic of Cyprus