

SMART Valley

whitepaper



Executive summary

About SMART Valley

SMART Valley is a decentralized valley of innovations that brings together investors, project, and experts in a closed ecosystem of professional community, where all members are united by the same purpose – to create advanced, high-potential technologies.

The SMART Valley ecosystem gives its participants an opportunity to raise funds, hire team members, find business partners, and realize their ideas – no matter where they are in the world.

Four key features of the platform allow the ecosystem members to interact in the most efficient way: a safe deal mechanism, an experts marketplace, a fundraising tool, and – most importantly – a unique decentralized scoring system that utilizes expert opinions, crowd wisdom, and mathematical algorithms to assess projects.

Our project will give investors worldwide a chance to invest in high-potential projects safely and legally, while project developers will be able to raise funds and build strong teams, providing experts and service providers with interesting projects to work on and stable employment.

The ecosystem is being developed as an Ethereum-based decentralized application.

Mission

We aim to create a digital valley of innovations and help the most promising projects survive and realize their potential. To achieve that, we plan to use infrastructural advantages and growth points, as well as powerful tools to connect project, investors, experts, service providers, incubators, and other market participants.

Objectives

- Develop the ICO institution into one of the most efficient investment tools;
- Create an automated platform for legal fundraising;
- Promote high-quality ICO projects and minimize the risk of scams and fraud;
- Connect key business players and promote efficient communication between them. We strive to bring together investors and project developers, founders and team members, new technology and the mass market, clients and experts and future leaders;
- Create an easy-to-use and attractive interface;
- Help the best projects attract worldwide investment and enter the market;
- Raise the overall level of knowledge and qualification among the direct and indirect participants of the DLT market;
- Train a pool of future leaders;
- Create new jobs and increase participation in innovative high-tech sectors.

Key financial metrics

- Forecasted revenue by late-2021 exceeds \$120* million;
- SMART Valley capitalization is projected to exceed \$495** million by 2021;
- NPV surpasses \$186 million.



Key ICO figures

SVT token price: 1 SVT = \$0.10 (10 cents);

Minimum amount for an ICO participant: \$1;

Accepted currency: ETH, BTC;

Soft Cap: \$3 000 000;

Hard Cap: \$30 000 000;

Fundraising period:

- *Pre-ICO phase begins in December 2017, ICO phase begins in March 2018 (the exact date of ICO phase will be announced later);*
- *The fundraising process at ICO phase will continue until the end of this period or the hard cap is reached.*

Bonuses / discounts:

- *20% bonus from December 1st until December 10, 2017;*
- *10% bonus from December 11, 2017 until, the start of the ICO;*
- *0% bonus during the ICO.*

The volume of emission depends on the amount raised on the ICO and the used conditions of the crowdsale (bonuses and discounts).

** according to the most pessimistic scenario*

*** average estimate*

**** the fundraising process at Pre-ICO phase will be stopped from January 15, 2018, due to the achievement of the Soft Cap. Fundraising will be resumed one week before the start of ICO phase*



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Chapter 1. Market overview

We are currently living through an incredible era in which new projects and ideas enter the market at an astounding rate, while the number of new businesses and services is growing exponentially. However, most of these new projects fail for a number of reasons (more on that in the next chapter). Statistics provided by various funds and startup accelerators indicate that less than 1% of all projects and startups actually obtain financing.

At this moment in time, two concurrent events are taking place: world trade growth rates are decreasing (in 2016, for instance, the global value of foreign direct investment reached around \$1.52 trillion, 13% less than in 2015¹), and investors are showing a growing interest in developing countries. FDI into developing countries rose by 38% in 2016, reaching \$58 billion.

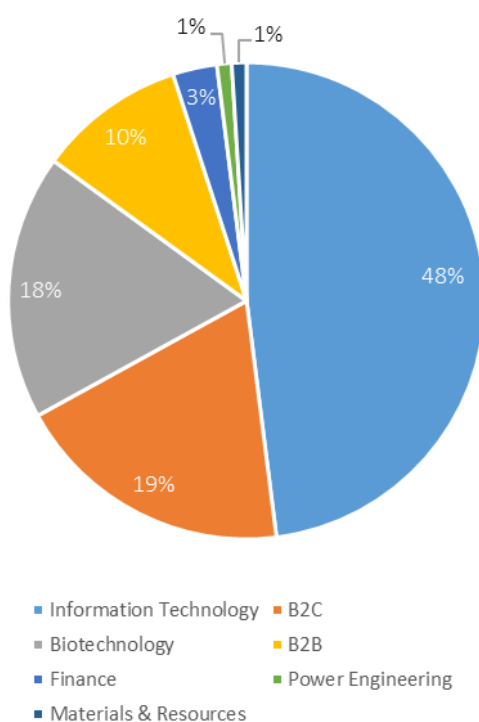
As for the worldwide investment climate, in 2016 the total value of investment in Europe fell by 22%, by 19% in Latin America and the Caribbean, and by 5% in Africa. The most attractive countries for investors are still the U.S. (\$385 billion), the U.K. (\$179 billion), and China (\$139 billion).

According to UNCTAD General Secretary Mukhisa Kituyi, there are still many obstacles on the road to recovery for high FDI values. One of the main causes for concern is a strong drop in investment in industry and manufacture—both essential fields for generating economic growth and a rise in productivity in developing countries.

One of the most promising applications of blockchain technology is decentralized crowdfunding realized via the ICO mechanism. Numerous ICO success stories demonstrate that an ICO can help raise the necessary funds in just a few days—or even minutes—by attracting up to several thousand small investors.

The ICO market is developing extremely fast—hundreds of projects launch their ICOs each month. For instance, as of the end of November 2017, the total cryptocurrency market capitalization exceeded \$313.6 billion.

Figure 1. Global venture investment structure by industry (\$73 billion in total)



Source: Pitchbook, E&Y

¹ Sources for all the statistical data in this and the following chapters can be found in References.



It is worth pointing out that venture financing is simply not an option for most high-potential technological startups due to its centralized nature and high costs. As for the venture market structure, investors' interest in the B2C segment has grown from 13.7% to 18.9% over the past year. Another trend is the decrease in the share of the segment leader: IT projects.

The average deal value varies depending on both geographic factors and the deal stage. At the seed stage, for example, average deal values fall between \$0.8 million (Europe) and \$1.9 million (the U.S. and Canada). By contrast, the highest values during the startup stage are found in Asia, where they reach around \$7 million.

Overview of Venture Capital markets

The U.S. and Canada venture investment market takes up over 50% of the global value and is also the most dynamic and liquid. For instance, in the 3rd quarter of 2017, a total of 1207 companies received venture investment totaling over \$19 billion. At the same time, the deal number fell by 6% compared to the same period in 2016.

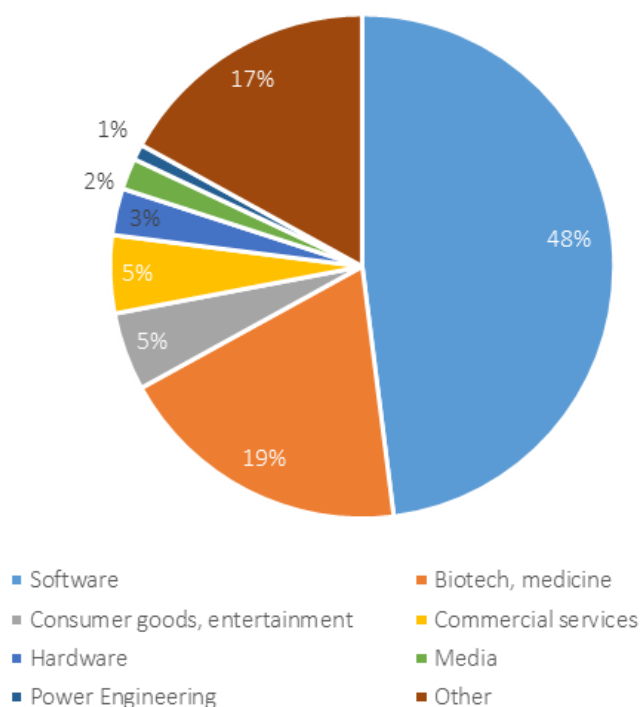
The most noticeable current trend is the emergence of the so-called VC mega rounds. In the U.S., 25 deals of this sort exceeding \$100 million were registered.

Another trend on the U.S. market is a decreasing share of corporate participation. Over the course of the 2nd and 3rd quarters of 2017, the share of corporations and venture investment companies in deals registered in the United States dipped below 25% for all VC deals.

Further, the volume of investment in the Silicon Valley fell by 46%, while the number of deals rose by 11%.

Meanwhile, the Asian and European markets are growing: in the 3rd quarter of 2017, the total deal value in Asia grew by 25%, while in Europe, the growth amounted to 18% compared to the 2nd quarter of 2017 (total project investment grew to \$5.2 billion).

Figure 2. Deal structure by industry



Source: Pitchbook, E&Y



The growth of large investment deals in Asia has also been noticeable (34 VC mega rounds took place in the 3rd quarter of 2017—6 more than in the 2nd quarter).

While Europe cannot be called a global leader in this area, the highest growth rates during the first 6 months of 2016 were shown by Ireland and Great Britain (4%).

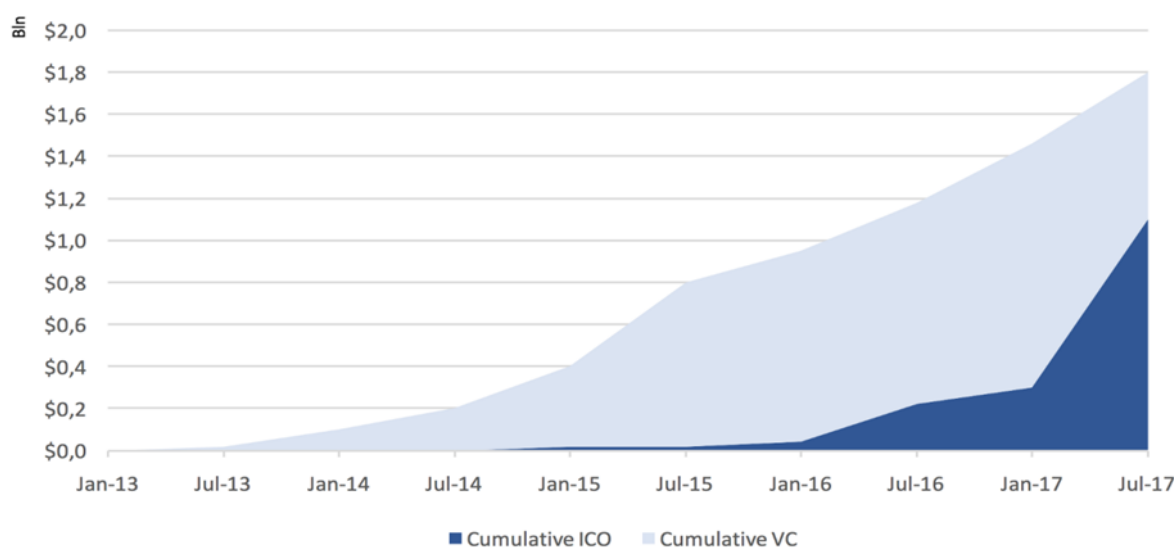
Investment has been flowing from biotech and other sectors into the IT sector. Investors have chosen to finance projects from one of the main industries, while the share of “other” projects fell to 16.7%.

In the context of the current situation and existing market growth issues, one trend that stands out is the growth in the number of ICO deals as it correlates to the development of blockchain ecosystems. Funding of blockchain projects, combined with the fact that such projects can operate on the international market from the very first day of their existence, represent very significant market development factors, since such operations lie outside the traditional borders of venture investment.

ICO as a new standard in investments

The growth of ICOs’ popularity as an investment tool began in 2015. A large number of projects belonging to different spheres of business started using crowdfunding solutions instead of the classic venture investment mechanism. According to Coindesk data, in the 2nd quarter of 2017 startups raised 3 times more funds through ICOs than through classic venture funds.

Figure 3. Blockchain startup financing is mainly realized through ICOs



Source: Coindesk

The popularity of ICOs can be explained by the following reason:

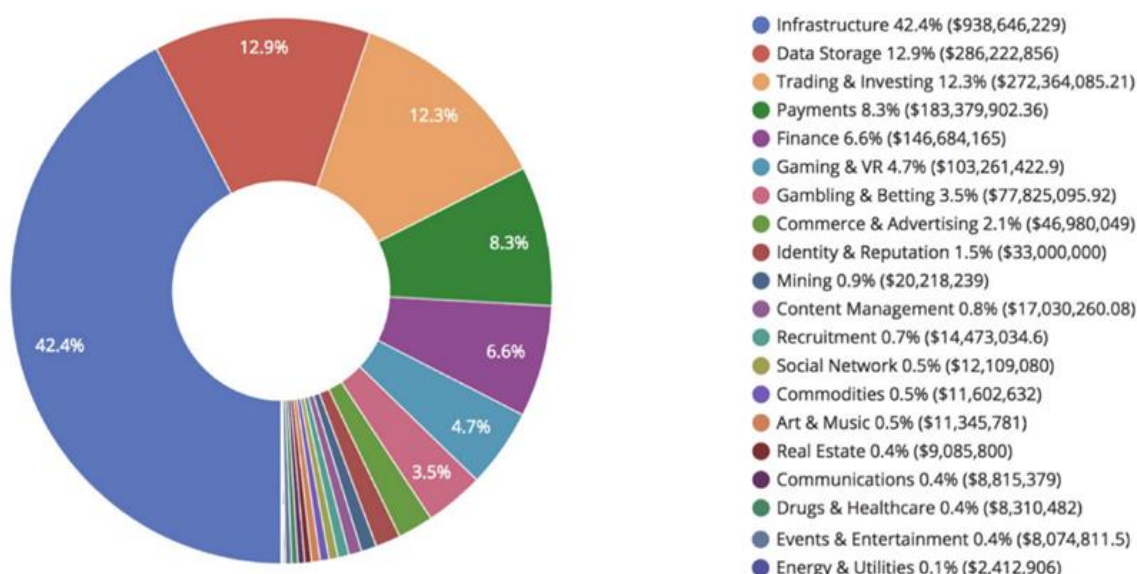
- Raising investment through an ICO is easier than obtaining financing from venture funds;
- Investors expect to get a higher rate of return on an ICO investment than on classic venture investments.

At present, there is explosive growth in ICO financing: while 2014 saw 11 ICOs raise a total of \$19.7 million, in just the 3rd quarter of 2017, 197 ICOs raised \$2.2 billion.

Startups from all business sectors seek to raise funds by means of ICOs, however, the largest amount of investment is obtained by companies specializing in infrastructure, data storage, and financial technology.



Figure 4. ICO financing by sector

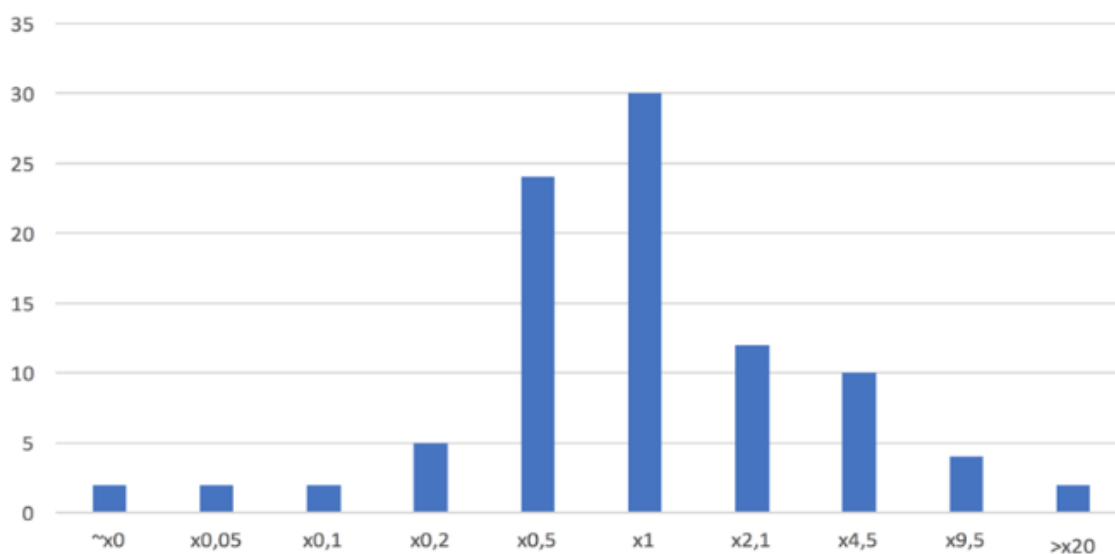


Source: Coinschedule

Investment amounts

A study conducted by Kama Flow has shown that the most frequent investment values equal between \$5 million and \$15 million. This amount of financing is standard for projects in the growth or expansion stages.

Figure 5. 62% of startups reach their financial target



Source: Kama Flow

ICO as a source of rapid returns for investors

The above-mentioned Kama Flow study has determined that:

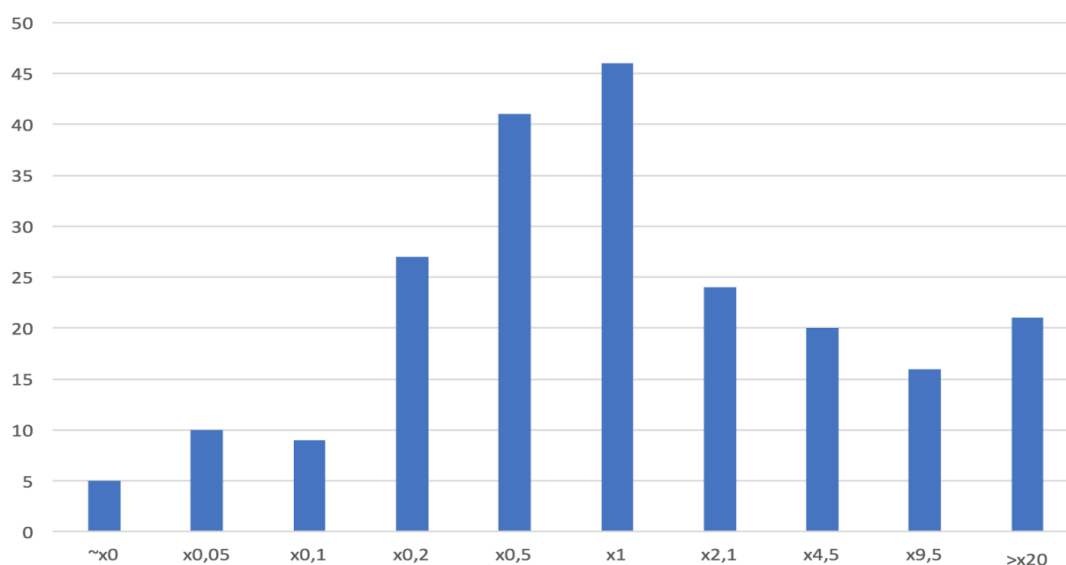
- 10% of tokens increased in value twentyfold or more;
- 37% of all tokens more than doubled in value;
- 58% of all tokens remained stable or showed a slight growth;



- Only 23% of all tokens decreased in value fivefold or more.

This return distribution outcomes are typical for venture business.

Figure 6. ICO investments can be both very risky and very profitable



Source: Kama Flow

The data presented above confirms that ICOs as an investment tool have comparable results to the classic venture investment tools in terms of investment values and expected returns. Thus, they can successfully replace venture investment mechanisms when necessary.

At this point, several conclusions can be drawn:

- International venture capital markets are showing stable growth with the prevalence of large and syndicated deals;
- The fundraising infrastructure is still in its formative stage.

Currently, the market outlook does not look too bright, in spite of such factors as the increasing role of the Internet, the spread of gadget use, the explosive growth of the digital economy, and the increased activity of business angels and venture funds. The negative trend is reflected in the following phenomena:

- The number of sectors available for investment to traditional investors remains small;
- The complexity of the fundraising process is not decreasing;
- Most developing countries do not have access to a sufficient number of investment sources or business angels which could not only assess projects but also invest in them;
- Up to 90% of the global early-stage investment is made by business angels. However, in developing countries the institution is still in the early stages and does not participate actively in investment projects;
- Adequate infrastructure must be created to attract funds for Internet startups;
- The venture funds currently active in the global market mostly work with later-stage projects (late seed or Series A round)—that is, companies with an existing sales network, finished products, and development strategies. However, there are increasingly fewer companies of this type still on the market, since most of them have received financing from funds in the past few years;
- The non-systemic character of the existing options for early- and late-stage financing and project exit means



that liquidity does not return into the system. This leads to the need for a constant artificial involvement of state institutions in each country;

- The number of funds active in the Internet sector is limited, and they mostly focus their investment on the later stages of project development. This is due to the high costs of participation in the early stages and the labor-intensive character of involvement in projects in their incipient stage;
- The number of active venture funds remains stable, and there seems to be no reason for the emergence of new funds;
- The Death Valley curve seems to be getting longer, since the funds are not showing any increase in their activity in local developing markets;
- The low number of exits does not allow the funds to reinvest their money;
- The attractiveness of the Internet as a place to do business is growing slowly. Very often, entrepreneurs simply do not have the necessary understanding and expertise in the Internet industry to launch a successful Internet project. Moreover, team members may not have the qualifications required to design a business model and a development plan for such a project;
- The absence of the necessary infrastructure for early-stage investment remains the key flaw of the system;
- The popularity of ICOs as a crowd-investing tool keeps growing.

The factors described above provide additional evidence that the creation of a successful ecosystem requires focusing on the following tasks:

- Shorten the Death Valley curve by means of raising additional funds to finance early-stage projects and speeding up the fundraising process via ICOs and other tools;
- Provide non-financial support to startups using the Smart Valley expert support system—this will reduce the failure rate among startups and increase their growth rates;
- Encourage the exchange of experience between crowd-investing platforms and various businesses that could stimulate both the growth of the venture investment market and the creation of new startups;
- Initiate various infrastructure and ecosystem development projects, establish partnerships with venture funds, form online communities, crowd-investing platforms, and exchanges; these measures will attract larger numbers of investors into the Internet industry;
- According to the laws of probability, partnerships with later-stage projects is less risky and provides higher chances of success. As risks decrease with each new project stage, ROI decreases, too; those investors who enter a project at the earliest stage can get the highest returns;
- One more factor in favor of the Smart Valley concept is its mass, portfolio-based approach, which increases the revenues of investors and token holders;
- The ICO mechanism cannot, per se, guarantee that the necessary amount of funds will be raised. A project must satisfy numerous criteria that can predict its success. The failure of many projects to adhere to these criteria results in the proliferation of scams, fraud, and the overall low quality of projects.

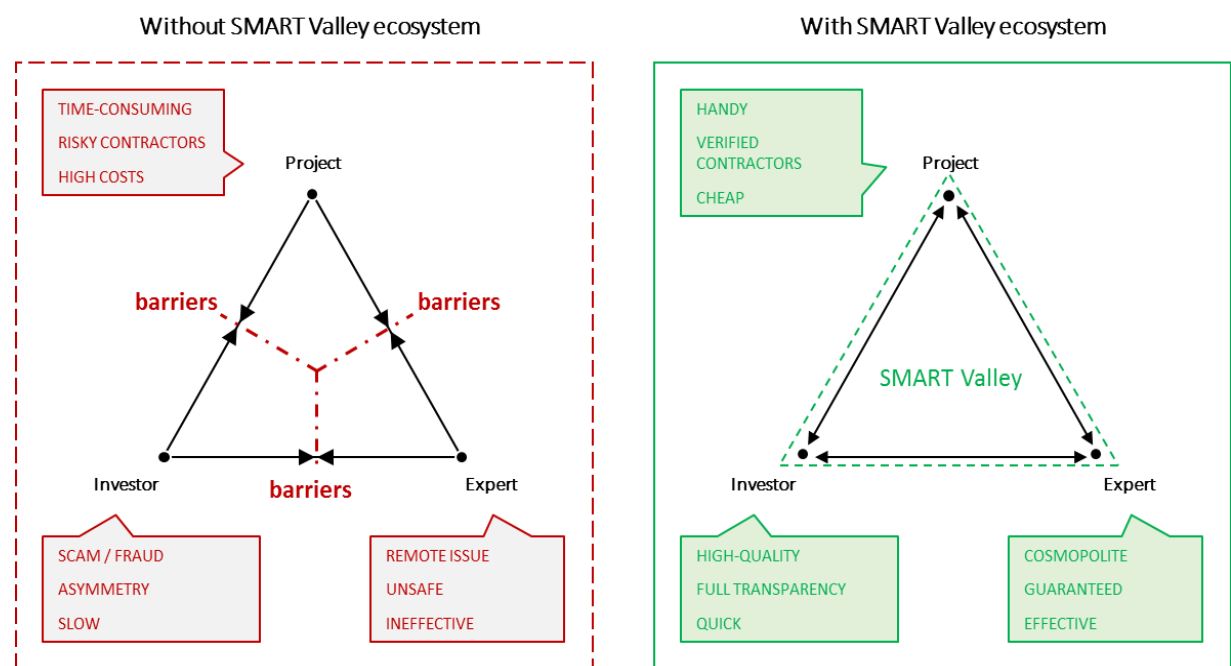
Chapter 2. Statement of the problem

Upon completing an in-depth analysis of the market, we formed a hypothesis that the probability of an innovative startup or project's success is correlated to the quality of the relationship between three key business components: investors, project developers, and experts. The quality of the relationship is determined by how easily and efficiently the participants communicate with each other, if they can communicate at all. Judging from facts and existing trends, this hypothesis appears very reliable and thus serves as the basis for the SMART Valley project and its mission: to create an ecosystem that can provide fertile grounds for the development and use of innovative ideas, creation of advanced and promising technologies.

A further, more detailed analysis of the communication between the above-mentioned groups has revealed a number of key problems (barriers) to increased efficiency. The objectives of the SMART Valley ecosystem reflect our intention to overcome these barriers.

Figure 7 shows the main groups of business players, their issues, the solutions proposed by the SMART Valley ecosystem, and its influence on the participants. A detailed description of the problems and solutions is provided below.

Figure 7. SMART Valley is a complex solution for investors, projects, and experts



Key issues encountered by investors

1. Proliferation of scams and fraud;
2. Asymmetry of information caused by the fact that market participants possess different amounts of knowledge about various investment projects and tools;
3. The slowness of the investment process and low liquidity of venture investment, which is due partly to infrastructural factors and partly to the potential for venture funds to easily exit the projects and companies they finance.

Further, a number of other problems exist, some of which include:



- Centralization and high costs due to the presence of a single point of failure (such as depositories and transfer agents), as well as high costs at each stage of development (registration, owner change, control, distribution, storage) and broker fees;
- The manipulation of assets (such as counterfeit securities), which add to the asymmetry of information and general limitations on transparency;
- Technical issues, such as process duplication, which lead to higher financial and time costs. For example, the storage and data reconciliation of financial liabilities and property rights on servers as a base for capital market transactions. The current methods are extremely complex, use disparate data and IT elements, and suffer from a lack of unified standards, leading to a constant need for data validation.
- Problems arising from the limitations of the venture investment business (insufficient sources of long-term investment; a lack of informational support across the global venture industry; a lack of highly qualified managers, both in venture funds and in the projects they finance).

SMART Valley as a solution for investors

1. A unique scoring service that ensures the selection of the highest-quality projects and automatically blocks scams;
2. The use of distributed ledger technology guarantees the full transparency of all transactions and the identification of all platform members;
3. The closed and transparent system architecture together with practical investment tools allow for the investment process to be sped up (a crowdsale constructor service).

It is worth noting that the SMART Valley ecosystem will allow its members to:

- Track the development of projects on the platform, which is beneficial both for the founders raising funds and for the investors who are seeking to finance high-potential projects;
- Shorten the project assessment period from 1-2 weeks to 1-2 days (through decentralized scoring);
- Create favorable conditions for the emergence of a vibrant community and exchange of best practices;
- Eliminate all unnecessary bureaucratic barriers, reduce costs, and guarantee transparency.

Key issues encountered by project developers

1. Lengthy fundraising periods;
2. Counteragent risks—that is to say, the risk that a service provider or counteragent will not fulfill their contract obligations (whether financial or quality-related);
3. High costs, especially PR and marketing expenses.

A number of other issues exist, including:

- Incomplete project teams and, as a consequence, a lack of certain key qualifications that are essential for launching the project. (E.g., The viability analysis of any project or solution must begin with a financial model. However, if a team lacks a financial specialist, it will not be possible to examine the project's financial potential and forecast its revenues.)
- Issues specific to the intermediate stages of project development, including a limited understanding of USP and other marketing concepts or an inability to formulate assumptions when building a financial model;
- Legal issues related to project financing, which arise due to the changing position of state regulators in certain countries. (One should note, however, that while this considerably complicates the ICO procedure, it



also means the creation of a more civilized market can, hopefully, lead to a reduction in the number of scams).

SMART Valley as a solution for project developers

1. A straightforward and convenient fundraising procedure;
2. Verified service providers;
3. A minimal number of intermediaries, competitive service rates on the platform, and a chance to reduce marketing budgets—all due to the closed and transparent character of the ecosystem and the presence of key business players who can directly influence the success of a project.

Moreover, the SMART Valley ecosystem will allow project developers to:

- Connect great technical or marketing ideas with interested investors;
- Prepare high-tech projects for an ICO;
- Develop efficient marketing strategies to launch projects;
- Attract world-class ICO experts;
- List tokens on international digital exchanges after the ICO.

Key issues encountered by experts

1. The lack of opportunities to work on high-tech, high-potential projects worldwide or participate in global tenders and competitions;
2. The absence of payment guarantees when working on a project;
3. The inefficient and time-consuming process of searching for new jobs or clients.

Apart from these key issues, a series of other problems exist, including:

- The difficulty in finding employment, especially in small cities, as well as high unemployment rates among young specialists and recent graduates. (According to statistics, young people constitute around 30% of all the unemployed, and 25-28% of them are college graduates);
- The lack of transparency in the recruitment process. (Employers try to minimize their risks by transferring the responsibility for hiring onto an intermediary, while ignoring short-term interpersonal risks. According to statistics, over 80% of highly qualified professionals and managers find new jobs using personal connections);
- A decrease in the quality of goods and services as a result of the hiring model described above;
- Issues stemming from a lack of highly qualified specialists familiar with distributed ledger technology, as well as from the ever-increasing expectations placed on candidates combined with the absence of flexible tools that could reduce the gap between said expectations and qualifications.

SMART Valley as a solution for experts

1. The creation of an experts marketplace provides an opportunity for experts anywhere in the world to work on high-profile innovative projects, as well as take part in international tenders and competitions;
2. The safe deal mechanism guarantees timely payment for services provided by an expert;
3. The search for jobs and clients is streamlined and simplified.



In addition to solving these key issues, the SMART Valley ecosystem will be able to:

- Ensure employment for young specialists, especially those who are from vulnerable social groups, such as handicapped professionals who cannot find jobs near home or have limited mobility;
- Enable experts to take part in events that can increase their rating, which will allow them to compete with those service providers who know members of a project team personally or through a third party;
- Organize efficient training activities;
- Form a list of highly-rated service providers—businesses and independent professionals;
- Train DLT specialists;
- Prepare high-potential specialists for leadership roles;
- Create new jobs

Additional information on the advantages of DLT for the SMART Valley ecosystem

- Secure encryption tools, anonymity, and confidentiality;
- The mutual verification of data—the requirement for a broad agreement between all parties as a condition for any data alterations ensures that all database copies remain identical without any interference from a central regulating authority;
- Smart contracts—unlike traditional data input methods, smart contracts consist of programs or bits of code stored on the ledger that can be programmed to generate instructions for the execution of various transactions, such as payment or the transfer of securities. Smart contracts allow the execution of transactions involving promissory notes, letters of credit, and other securities;
- Universal data sources that are synchronized automatically between all participants;
- More complete databases—for instance, it is possible to include data on property rights that reflect various levels of beneficial ownership;
- The ability to make traditional centralized informational systems obsolete—centralized informational systems are currently used to track and register investment transactions and deals. There will be no longer be a need to send requests to centralized databases or to other participants in order to verify information, etc;
- The use of up-to-date, transparent data can resolve disputes between counteragents, eliminate the need for a lengthy verification process, and allow for the complete control of transaction details. Moreover, participants will be able to choose to disclose additional data to their counteragents before concluding the deal, thus reducing credit risks, etc.;
- Faster and more efficient transactions—all participants will have access to the same body of data, and any updates will spread quickly across the market. Cash transactions will be executed almost instantaneously, since a deal is considered concluded at the moment all participants agree to update the records on the ledger. This will remove the need for any post-deal confirmation and clearing at the end of a certain period. Considering the fact that all participants will use the same set of data, the use of the blockchain will decrease the risk of errors, disputes, and delays due to the need to achieve consensus. All this will speed up most financial market processes.

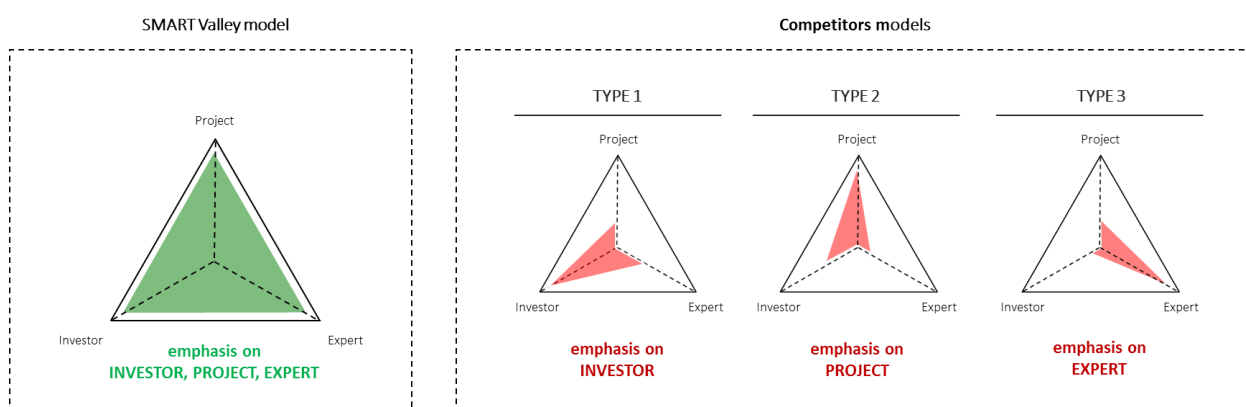


Chapter 3. SMART Valley Ecosystem

The SMART Valley ecosystem includes three key components: investors, projects, and experts and service providers. The creation of the ecosystem will be carried out in two stages, the first being the setting up of the key element of the framework—a decentralized scoring system—and the second, the realization of a set of three other SMART Valley services—the deal mechanism, the expert market service, and a fundraising tool.

The main difference between the SMART Valley platform and its competitors is the emphasis it places on solving the problems of on the three key components. As our analysis of both direct and indirect competitors shows, three models dominate on the market, each of which focuses almost exclusively on the issues of one component, either investors, or projects, or experts. The SMART Valley model hypothesis states that it is impossible to resolve a complex issue by concentrating on just one of its aspects. The SMART Valley ecosystem approach ensures a unique synergy with emergent properties. The competitive advantage of the project's ecosystem is driven by the very architecture of the system and four of its services, which provide solutions for the problems of each of the three project participant groups.

Figure 8. SMART Valley platform positioning



As the ecosystem develops, it will become possible to increase the number of platform users by attracting projects and companies that are already active on the market, as well as projects that currently use crowdfunding.

Figure 9. The SMART Valley ecosystem

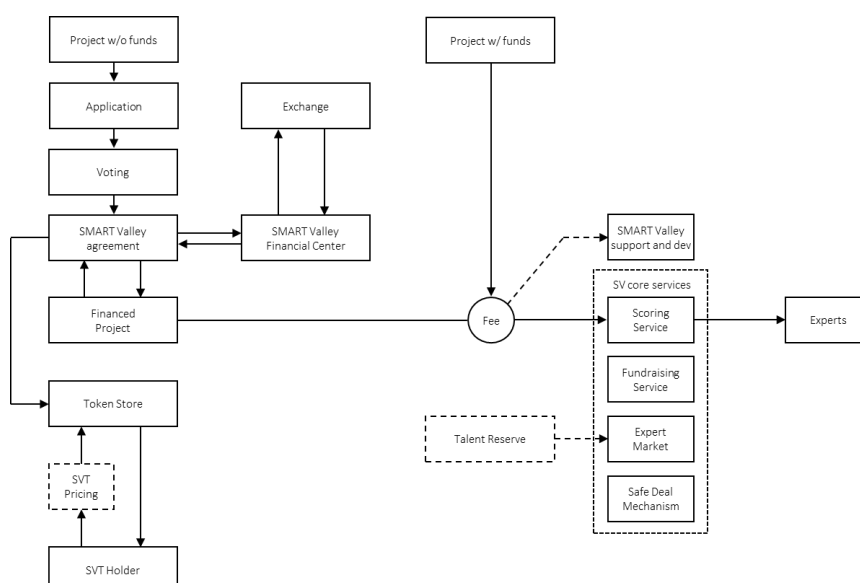




Figure 9 illustrates the general scheme of the SMART Valley ecosystem. A more in-depth analysis of the relationships between the platform participants and various elements of the ecosystem can be found in the next chapter.

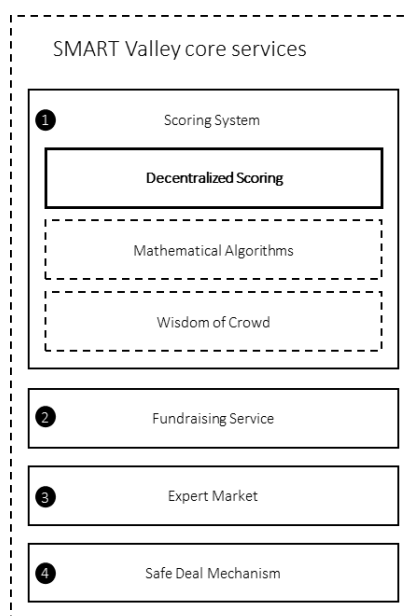
Key services of the SMART Valley ecosystem

- Scoring system – a service designed to evaluate the quality of the projects featured on the platform;
- Safe deal mechanism – a conflict resolution service that guarantees the performance of clients' and service providers' respective responsibilities.
- Expert market – a service that allows project founders to find team members or hire service providers, all while helping experts and providers find clients or employers;
- Fundraising tool – a service aimed at facilitating the search for funds required by a project.

3.1. The scoring system

The scoring system constitutes one of the key SMART Valley services and serves as a foundational tool for solving various problems encountered by investors, projects, and experts.

Figure 10. SMART Valley services and the scoring system

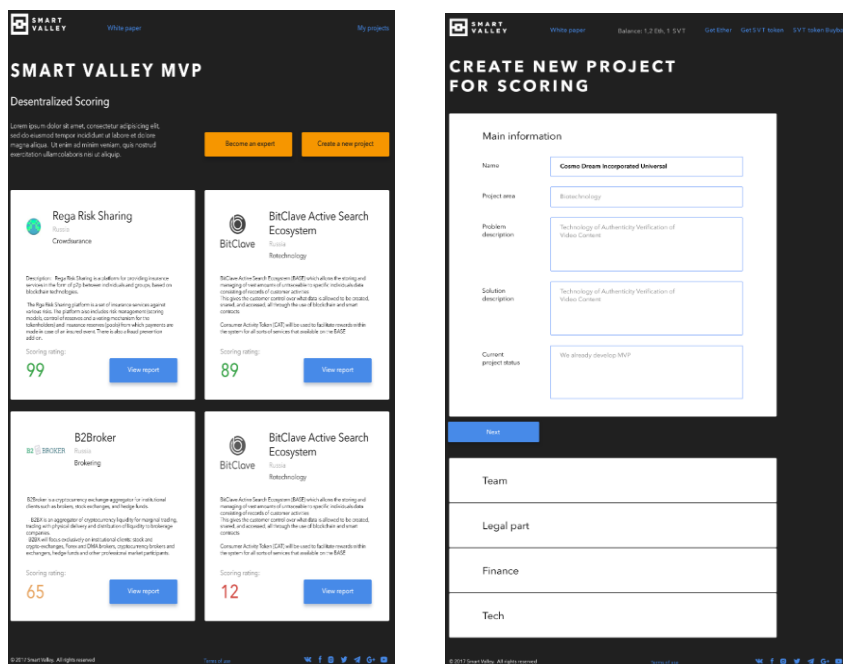


The scoring system includes three main elements: decentralized scoring, a mathematical algorithm, and crowd wisdom.

The decentralized scoring tool is the most important element of the SMART Valley platform, since it ensures the democratic and transparent character of the system, making the project evaluation process easily verifiable and efficient. The other two elements of the scoring system allow for added functionality. They are designed to enhance the end result of the decentralized scoring but do not constitute a complete assessment in their own right.



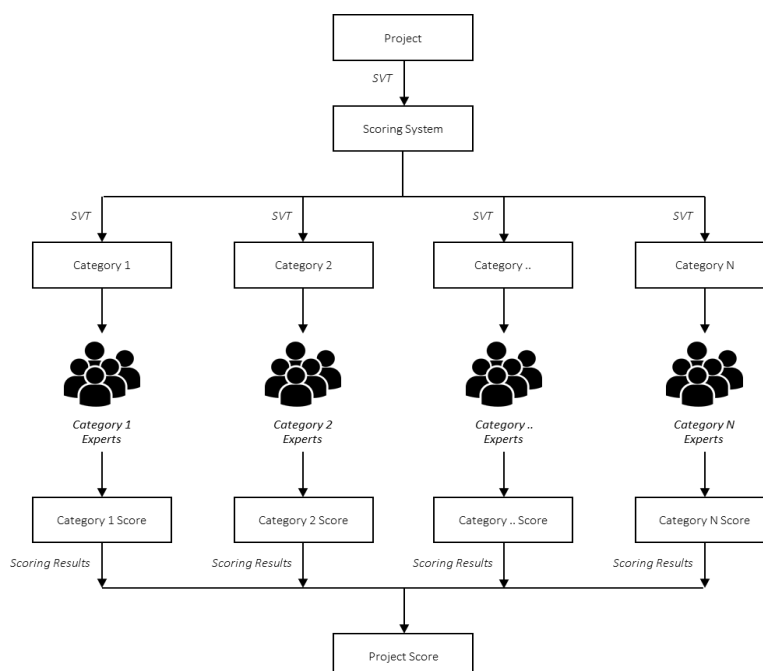
Figure 11. SMART Valley decentralized scoring prototype



Decentralized project scoring by experts

Once again, the decentralized scoring tool acts as the principle and essential element of the SMART Valley scoring system. This service allows projects to receive feedback and evaluations from the SMART Valley expert community, while giving potential investors an opportunity to select projects with the best prospects. Moreover, the service secures the community against scams and fraud due to its decentralized nature and the practical impossibility of faking (or paying for) scoring results.

Figure 12. General scheme of the SMART Valley decentralized scoring system





- Each project is scored according to several criteria, including financial potential, technical aspects, marketing strategy, team, etc.;
- At least three experts per criterion participate in the scoring;
- All experts are selected randomly;
- Each expert sets the fee for his or her work.

3.1.1. The scoring process

What follows is a general description of the project scoring algorithm, which includes three main steps:

Step 1. Project founders submit a scoring application

Each project application must fill in the following fields:

- Desired number of experts for each of the criteria (min. 3);
- Minimum desired rating of the experts participating in the scoring (*note*: an expert's rating depends on his or her activity on the platform, e.g. if an expert does not reply to a job offer in time, his or her rating decreases);
- Maximum available budget (*note*: the system gives a price estimate for a certain set of criteria).

The required sum is deposited using a smart contract.

Step 2. Expert selection

- Experts for each scoring criterion are selected randomly based on the project application requirements;
- Two lists of experts are formed: one includes the exact number of experts required, while the other consists of twice as many experts as necessary;
- The experts from the first list are sent invitations to participate in the project scoring. If they agree, they are automatically assigned to the project;
- The experts from the second list are sent invitations to participate in the scoring in the eventuality some of the experts from the first list decline to do so or fail to respond in time;
- If more experts than necessary agree to participate, those who respond first are given priority;
- If the necessary number of experts are not found, the process is repeated.

The expert selection process is carried out by means of a smart contract.

Step 3. The expert scoring process and the final score calculation

- The selected experts score the project;
- Once the scoring is completed, each expert is paid his or her fee from the deposited budget;
- The scoring results are published in open access documents.

The payment of expert fees, refunds of any remaining budget deposit, and user rating changes are carried out using a smart contract.

3.1.2. The payment methods for scoring

A project can pay for scoring in one of two ways:

Method 1. Submit an application for financial assistance



- The scoring for a project can be paid for using funds from the SMART Valley Financial Center. However, this requires that the project submit an application;
- The application is assessed by SVT holders (note: 1 SVT token gives one vote). If, after one week, the application gathers over 70% positive votes, the project receives the necessary funds, but in return the project founders will have to transfer—at once or at a later date—an amount of their project tokens that equals five times the scoring fee (further details are provided in the section dealing with the SVT token model);
- The project tokens transferred to repay the financial assistance will be made available for purchase by SVT token holders.

Method 2. Payment in full using SVT tokens

- The project has the option of paying the full scoring fee with SVT tokens, thus becoming a member of the SMART Valley ecosystem.

3.2. The experts market and the safe deal service

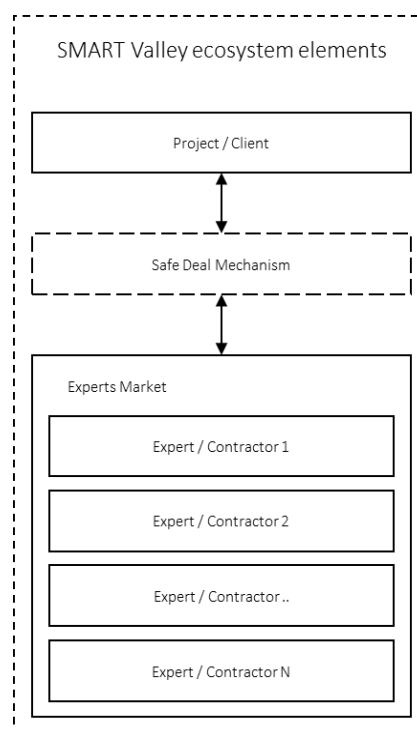
The safe deal mechanism plays a key role in the SMART Valley ecosystem, as it guarantees efficient transactions between clients and service providers. A more detailed description of the service—together with the service itself—will be made available later.

All projects (and companies) interact with experts and service providers by means of the experts market. In order to ensure the transparency and security of this system, all transactions are executed using the safe deal mechanism.

Members of the experts market will include both professionals in traditional areas (such as front end developers, designers, HR specialists, etc.) and DLT experts (blockchain developers, smart contract designers, etc.). Thus, a project or company will be able to hire all the specialists or service providers it requires among the available experts, all of whom are members of the SMART Valley ecosystem.

The transparency and security of transactions within the ecosystem is further guaranteed by a system of ratings, which allows users to verify the experience and qualifications of each platform member.

Figure 13. The interaction between experts and projects via the safe deal mechanism and the experts market





The safe deal mechanism

The ecosystem provides a guarantee that the contract terms between a project and its chosen experts will be followed or that the project founders will receive a refund if an expert fails to adhere to the contract terms.

In the case of a dispute, the parties can utilize the safe deal mechanism and initiate an arbitration process, paying an arbitration fee that depends on the value of the deal.

The safe deal algorithm

- The system randomly selects several arbitrators from the general arbitration pool (the selection criteria depend on the character of the dispute. For instance, if the disagreement concerns development issues, arbitrators will be selected among professional developers);
- The service provider and the client leave their comments concerning the circumstances of the dispute;
- Each of the arbitrators makes an independent decision and submits a comment;
- The results are determined by a majority vote;
- The personal rating of each arbitrator influences the weight assigned to his or her vote.

3.3. The fundraising service

This service allows projects to get published on the platform and raise investment. The tool makes the fundraising process more straightforward and, more importantly, efficient. The key to the efficacy of the service is the unique architecture of the ecosystem itself, which brings together all the key business players (investors, projects, and experts), connecting them through the unified informational space of SMART Valley. This allows for better control of project marketing costs and facilitates the search for funds, since the target audience required for a successful launch of a project is already present on the platform.

Another important feature of the service is its ability to democratize the financial support for innovation. The ecosystem is designed to accommodate not only ICOs (more details on ICO project development within the system will be given in the next section), but also crowdfunding projects and companies that require any of the services provided by the SMART Valley ecosystem. In this way, SMART Valley seeks to minimize the number of intermediaries involved in financing innovations, while at the same time creating favorable conditions for a coexistence between institutional and small private investors and keeping the system simple, pluralistic, transparent, and democratic.

3.4. Project development within the SMART Valley ecosystem

All ICO projects published on SMART Valley must confirm the completion of the main ICO development stages.

The SMART Valley ecosystem is designed to include not only ICO projects, but also those projects and companies that wish to satisfy a certain need using the services provided by SMART Valley. However, the present section will use an ICO as an example of the project development process within the ecosystem.

Main steps of an ICO's project development

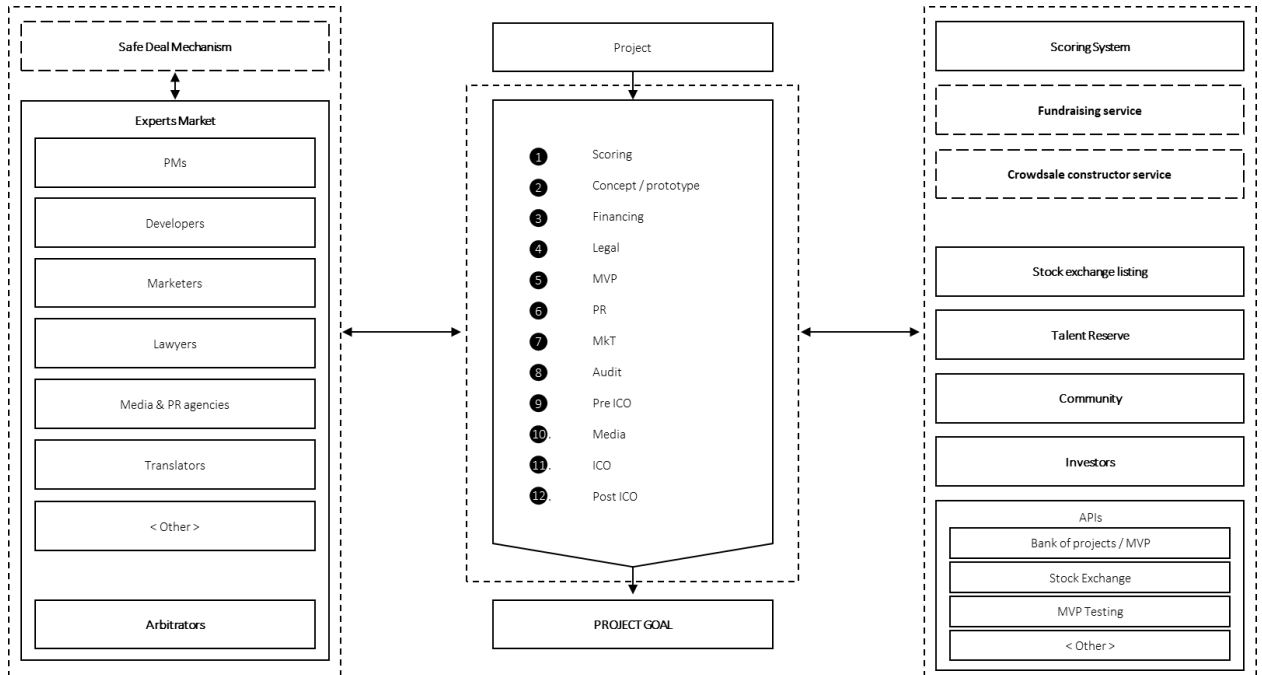
1. Project scoring
2. Creation of a concept, writing a White Paper, project budgeting
3. Project financing
4. Legal aspects, TSA
5. Creation of an MVP/prototype
6. PR & marketing
7. Audit



8. Pre-ICO and ICO
9. Listing the token on digital exchanges
10. Post-ICO activities

Of course, a project can enter the ecosystem having already completed some of the above-listed stages, in which case some of the steps can be skipped.

Fig. 14. ICO Process: an ICO project development scheme within SMART Valley



Key participants of the SMART Valley ecosystem

1. Projects: DLT projects interested in raising funds, hiring team members, or receiving training and consultation services over the course of the ICO and post-ICO stages;
2. Investors: funds, crypto-funds, business angels, and portfolio investors who are interested in investing in DLT projects;
3. Consulting companies: businesses offering all-inclusive and package ICO solutions;
4. Professionals who offer various services for the DLT industry;
5. Arbitrators: users participating in conflict resolution. For each dispute, different arbitrators are selected on a random basis;
6. Exchanges: digital currency exchanges that agree to list a project's tokens. In order to get listed, a project must successfully complete an ICO and pass the necessary exchange scoring.

Financing an ICO project

A project can be financed using either the founders' own means or money raised from investors.

Any cryptocurrency holder can act as an investor. Various funds and business angels can invest in a project on certain conditions, which are registered on the blockchain.

A smart contract serves as a guarantee of adherence to the contract terms; the contract is to be audited by randomly selected specialists.



Expert ICO assistance

Once a project enters the ecosystem, successfully passes the scoring process, and obtains the necessary investment, it needs to complete a series of steps within the ecosystem in order to launch its ICO.

Thanks to the SMART Valley platform, the project founders can hire service providers and employees and organize training activities for their team.

Here is a list of experts whose services will be available in the ecosystem (in the future, the list will be expanded):

1. Project managers
2. Developers
3. Tech/Team lead
4. Marketing specialists
5. Analysts
6. Lawyers
7. Audit professionals
8. Designers
9. System administrators
10. Forum moderators
11. Bounty program managers
12. PR specialists
13. SMM specialists
14. Contextual advertising professionals
15. Translators

The ICO launch

By the time the ICO is ready to launch, the project team needs to be complete. The main effort of this team should focus on conducting an efficient marketing campaign by promoting the project and publicizing it in the traditional media as well as on the Internet.

The post-ICO stage

At this stage, the project still participates in the ecosystem: it requires PR and development services, assistance with getting listed on digital exchanges, etc.

3.5. Training and education services and the social importance of SMART Valley

In the future, SMART Valley will finance employee training activities, the creation of new college and university study programs, raise the general qualification level among professionals, and—in the long term—help solve the issue of a lack of DLT specialists on the market.

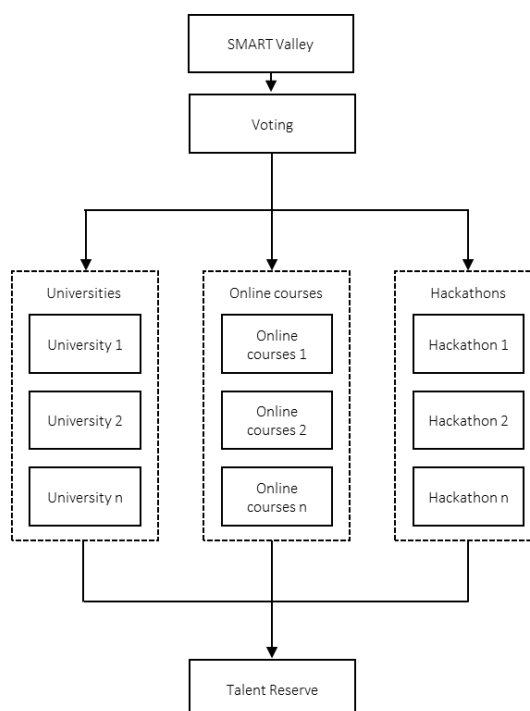
A special trust fund will be created to finance the professional development of industry specialist. The fund will be replenished using transaction fees paid by members of the ecosystem.

Each ecosystem user with a high enough rating can submit an idea to a vote.

The time allocated for the voting is specified in advance; the decision is made based on a majority vote (at present set at 60%).



Figure 15. Professional development opportunities in the SMART Valley ecosystem



At first, three main initiatives will be promoted: the creation of new college study programs, the development of online training courses, and hackathons.

Colleges

The creation of new college programs will provide a long-term solution to the issue of a lack of professionals in the DLT industry, while also raising the qualification level of existing specialists.

Online courses

We believe in economic decentralization and strive to give everyone across the globe an opportunity to discover blockchain technology and become a professional in this sphere. That is why we are planning to finance online training activities, develop our own courses, and eventually, attract professional course developers.

Hackathons

The organization of hackathons gives us a chance to test various hypotheses, encourage the emergence of interesting new projects, promote better professional performance, and stimulate the spread of new technologies across the IT community.



Chapter 4. Project economics, budget and distribution of the SVT token

4.1. Project economics and budget structure

In order to maintain operational activity and further the development of the ecosystem, transactional commissions are expected to be charged.

Key ICO figures

SVT token price: 1 SVT = \$0.10 (10 cents);

Minimum amount for an ICO participant: \$1;

Accepted currency: ETH, BTC;

Soft Cap: \$3 000 000;

Hard Cap: \$30 000 000;

Fundraising period:

- *Pre-ICO phase begins in December 2017, ICO phase begins in March 2018 (the exact date of ICO phase will be announced later);*
- *The fundraising process at ICO phase will continue until the end of this period or the hard cap is reached.*

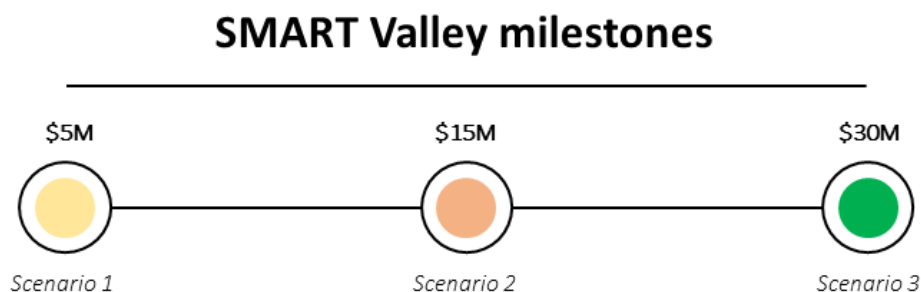
Bonuses / discounts:

- *20% bonus from December 1st until December 10, 2017;*
- *10% bonus from December 11, 2017 until, the start of the ICO (see Remark 1);*
- *0% bonus during the ICO.*

The volume of emission depends on the amount raised on the ICO and the used conditions of the crowdsale (bonuses and discounts).

Remark 1. The fundraising process at Pre-ICO phase will be stopped from January 15, 2018, due to the achievement of the Soft Cap. Fundraising will be resumed one week before the start of ICO phase.

Figure 16. SMART Valley project development scenarios



Depending on the amount collected, the structure of the budget will be as follows:

Scenario 1:

- 40% - Operating costs and project development



- 60% - SMART Valley Financial Center

Scenario 2:

- 15% - Operating costs and project development
- 85% - SMART Valley Financial Center

Scenario 3:

- 10% - Operating costs and project development
- 90% - SMART Valley Financial Center

The amount raised will determine the SMART Valley development scenario, and it will therefore have an impact on the time and scale of the development of the ecosystem.

4.2. SMART Valley financial results and efficiency

Any analysis of the potential and viability of a project must begin with building a financial model and assessing the project's attractiveness for investors.

When evaluating the investment potential of SMART Valley and its possible future worth, we have used a revenue-based approach. In this model, the maximum and minimum values of the company's projected worth depend on the values of DCF, EV/Sales, and EV/EBITDA.

Figure 17. SMART Valley financial results forecast

Metrics			2018E	2019E	2020E	2021E
Revenue	total	USD	5,799,133.6	26,535,375.2	56,530,050.1	120,485,736.5
Marketing costs	total	USD	124,485.5	239,242.1	362,035.5	547,853.8
% in total	total	%	17%	13%	12%	17%
Payroll	total	USD	479,954.9	1,273,008.2	2,075,560.2	2,088,313.5
% in total	total	%	67%	70%	71%	65%
Total costs	total	USD	717,809.5	1,822,138.9	2,924,086.9	3,224,972.3
EBIT	total	USD	5,071,651.0	24,690,997.4	53,575,410.4	117,234,342.0
% in revenue	total	%	87%	93%	95%	97%
Net income	total	USD	4,031,848.7	19,752,797.9	42,860,328.3	93,787,473.6
% in revenue	total	%	70%	74%	76%	78%

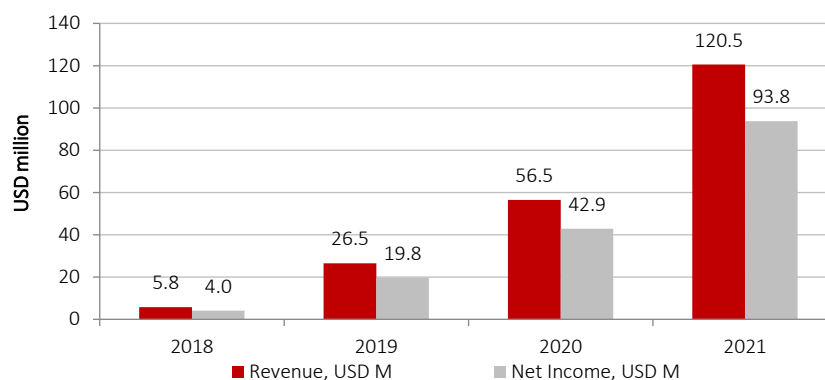
The proposed financial model is built upon a number of key assumptions, which in turn, are based on our analysis of venture and ICO markets. Moreover, very conservative values have been chosen for many of the assumptions, based on the analysis of the ICOLabConsulting working group. Among these conservative assumptions are the number of projects on each platform, the costs of attracting a project, and the average service fee.

Over the course of the forecast period, revenues are expected to grow from \$5.7 million to \$120.5 million; the EBIT margin is projected to increase, as well. At the same time, thanks to the emergent characteristics of the SMART Valley ecosystem, marketing costs are expected to remain moderate, not exceeding 17%.

By 2021, the capitalization of SMART Valley is expected to fall between \$183.7 million and \$593.5 million, depending on the selected development scenario and growth rate estimates.

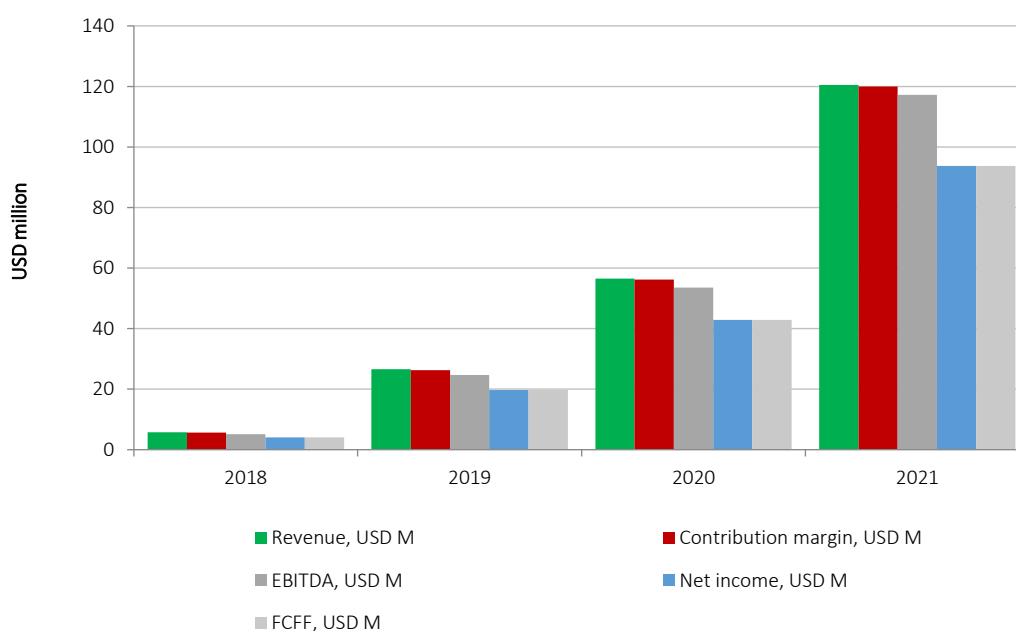


Figure 18. SMART Valley revenue and net profit forecast for 2018-2021



Furthermore, based on these assumed values, the project's NPV is \$186 million.

Figure 19. Key SMART Valley financial metrics for 2018-2021



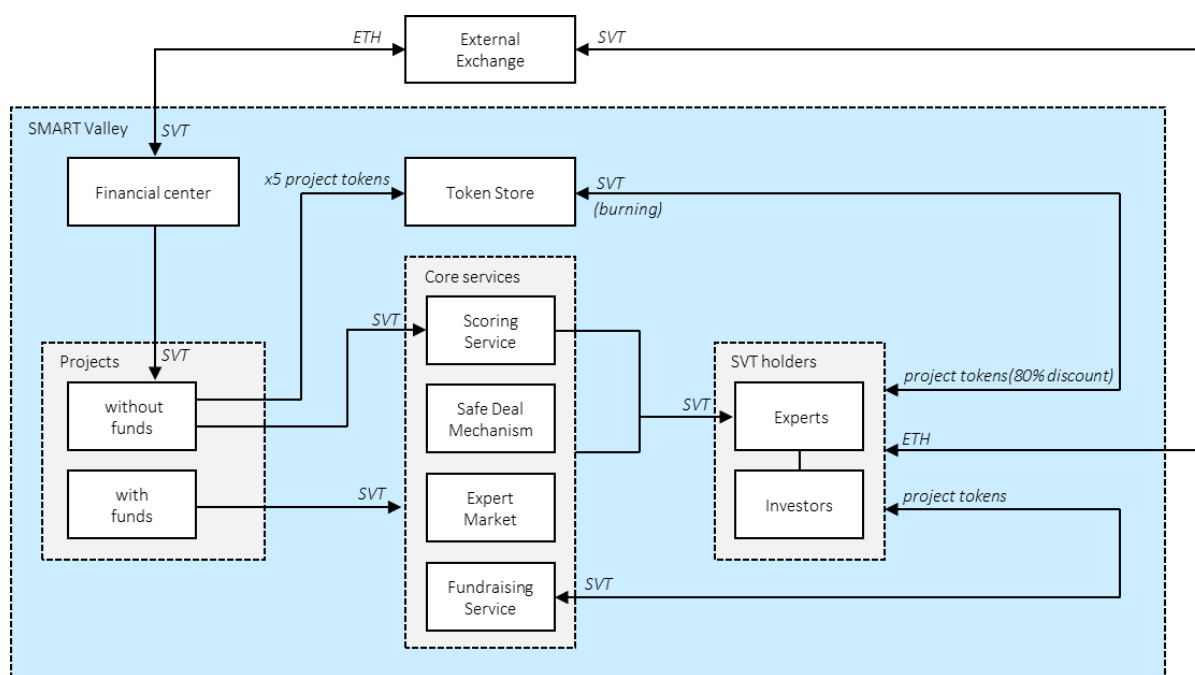
4.3. SMART Valley Tokens (SVT)

The SVT (SMART Valley Token) token is a utility-token, which can be used to purchase ICO-project tokens at a discounted rate using the SMART Valley platform. In addition, SVT will be charged for the use of key platform services (such as the scoring system, safe transaction mechanism, expert market, and fundraising service). General scheme SVT token circulation in SMART Valley ecosystem is shown below (Figure 20). As can be seen from this simplified scheme, there are several elements - Investors, Experts, Projects, Financial Center, Token Store, Core Services, and External Exchange. In order to use the services - you must have SVT tokens, which can be purchased on External Exchange. Projects can use the services both at their own expense, if they have the necessary amount of SVT, and at the expense of the ecosystem, by applying for financial assistance to the Financial Center. It is important to note that the Financial Center is formed once



(during ICO) and it is not replenished by commissions that are collected from transactions within the ecosystem for the use of its services. Its initial goal is to create a stream of promising projects in the ecosystem, and form a primary community of experts and investors. In the future, the system will be supported and developed through commissions, as it was said earlier. After all the funds have been used up in the Financial Center, the possibility of the existence of this model, will be determined later, with the help of SMART Valley community.

Figure 20. General scheme of SVT-token circulation in the SMART Valley



SVT gives you the opportunity to purchase ICO-project tokens at an 80% discount. This discount can be used to purchase project tokens in the SMART Valley token store for projects that have made it through the primary SVT holder selection process and have gone through the scoring process on the SMART Valley platform.

SVT is a limited issue token. The token will be burned. In case of growth of the market price of SVT Tokens related to the decrease in their number in circulation, or in case of any prerequisites for such growth, SMART Valley ecosystem reserves the right by in no way guarantees additional issuance and distribution of SVT Tokens aimed at maintaining a stable initially determined price thereof. Additional issuance of SVT Tokens, in case performed, will be aimed at excluding the possibility of acquiring SVT tokens with expectations of their market value growth and subsequent speculation.

Functions of SVT:

- 1) It gives you the opportunity to purchase ICO-project tokens which have gone through the scoring process on the SMART Valley platform at an 80% discount;
- 2) It offers voting privileges during the project selection process for scoring on the SMART Valley platform;
- 3) It functions as a method of payment inside the closed ecosystem of SMART Valley.

For a description of the token model algorithm, see the figure below (Figure 21):

- 1) 2) A project that does not have the resources to use a key service of the SMART Valley platform (i.e, the scoring system), can apply for funding (to pay for the scoring service) on the SMART Valley platform. This application is then voted on by SVT holders;



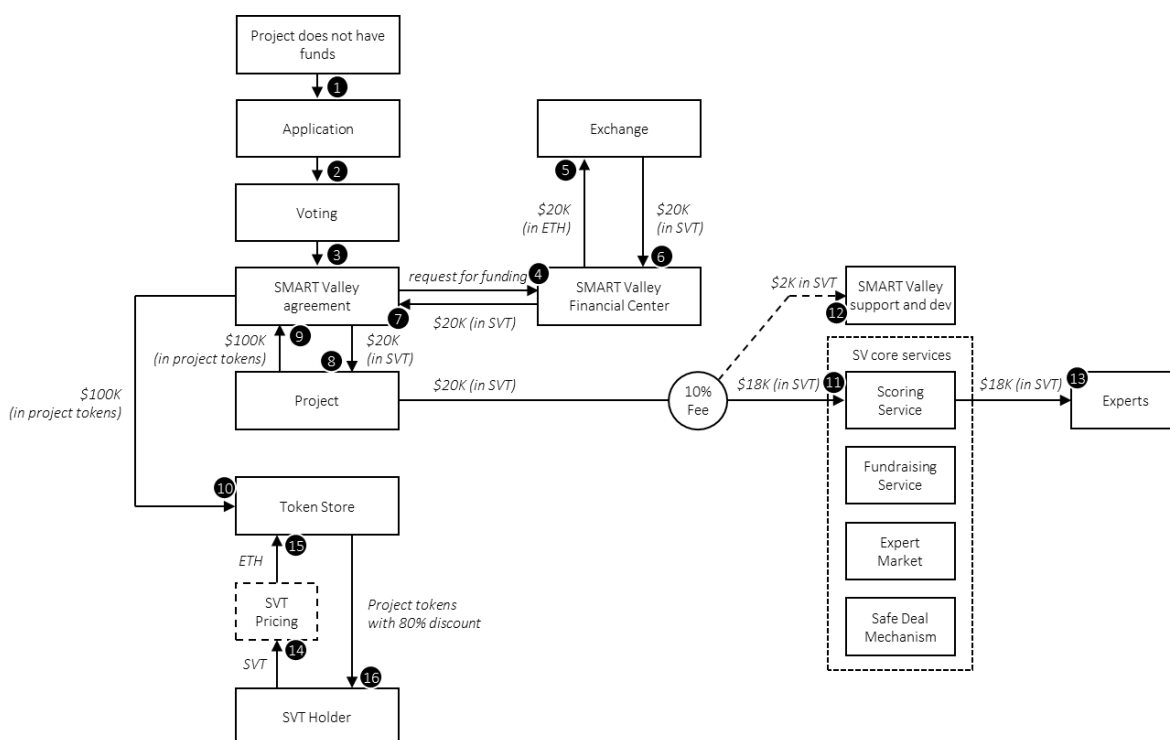
- 3) In the event the project application has been positively evaluated (i.e., the SVT holders have voted in favor of this project), then the project and the SMART Valley platform conclude an agreement to provide financing for the service;
- 4) A request to issue the necessary amount of funds for scoring the project will be sent to the SMART Valley Financial Center after the parties have agreed on the terms;
- 5) 6) The SMART Valley Financial Center allocates the necessary funds (out of those collected from the ICO) in crypto-currency and redeems an equivalent number of SVT tokens from the external exchange;
- 7) 8) 9) After that, the SMART Valley Financial Center transfers the SVT to the project in accordance with the terms of the agreement (item 3). The project then transfers the equivalent of 5 times the allocated funds from the SMART Valley Financial Center (item 4) in the tokens of its own project to SMART Valley;

*Example: If the project requires \$20K for scoring, then it will have to transfer to SMART Valley the number of project tokens equivalent to \$100K (i.e. $20 * 5 = 100$).*

- 10) SMART Valley project tokens are transferred to the Token Store, where they can be purchased by SVT holders;
- 11) 12) SMART Valley pays for the scoring of the project. There is a 10% commission fee for this transaction. The commission charged for using the services of the SMART Valley ecosystem is sent for its support and development ;
- 13) Experts who conduct the scoring of the project get their compensation;
- 14) When the project completes its ICO, its tokens can be purchased with SVT in Token Store at the 80% discount rate. After the SVT is used up, it will be burned and withdrawn from circulation;
- 15) 16) After the SVT holders have transferred funds to the Token Store, they will receive the project tokens they bought.

In addition, the project (or company) that wants to become a part of the SMART Valley ecosystem and use one of the services can buy the necessary amount of SVT and pay for the service.

Figure 21. Example of the operation of SVT with the cost of scoring at \$20k



4.4. Distribution of SVT

SVT of SMART Valley ecosystems will be distributed as follows:

- Sale - 75%
- SMART Valley team, Bounty, Early Investors, Advisers - 25%

4.5. SMART Valley project development roadmap

Stage	Date
Forming the core of the team	June 2017
Development of the project architecture	July 2017
Draft White paper	August 2017
Development of the ecosystem prototype	September 2017
Start of the legal authorization process	October 2017
Road show begins	November 2017
Scoring System demo version. Final White Paper	December 2017



Pre-Sale	December 2017
Entering into partner agreements with market participants	January 2018
Involvement of experts, investors, projects, specialists for the platform	February 2018
Token generation event	March 2018
Public beta-testing of Smart Valley	April 2018
Full launch	October 2018



Chapter 5. Project risks

Anyone considering the purchase of SVT tokens is encouraged to examine and evaluate the risk factors described below, as well as other data contained in the White Paper, before making a decision.

Online vulnerability and the user's dependence on technology

While the project developers will use all available methods to ensure the security of the network, the risk of viruses, hacking, and other security breaches by third parties still exist. Such breaches may lead to interruptions and delays in service and/or temporarily limit the use of SVT tokens.

Risk of the user's login data being loss

Investors can access their accounts only by using their login and password details, which are known only to them. By using this service, you agree that nobody else will be allowed to gain access to your account and use it. Further, you agree to assume full liability for any actions performed by your account and not to transfer this liability to third parties, even if the loss of your login data results in the loss of your SVT tokens.

Personal information disclosure

Under certain circumstances, such as a court order or a subpoena, the Company will be obliged to disclose information on SVT holders. In this case, the Company will not be held liable for such disclosures.

Risk of smart contract flaws

While smart contracts possess significant advantages (including better security and lower contract costs), there are no guarantees that the smart contracts used in the system are flawless. Such flaws may lead to technical issues and, as a consequence, a loss of tokens.

Legal risks

Most countries have so far passed few laws regarding distributed ledger technology. Therefore, new laws and regulations pertaining to this technology may be introduced at any time. Such a change in the legislation may lead to limitations being imposed on the use or possession of SVT tokens, which may include the reduced functionality of the tokens and the impossibility to sell them in the future.

Risk on insufficient sales of SMART Valley services

The Company cannot guarantee that any specific volume of the SMART Valley services will be achieved after the launch of the system. There is the possibility that no sales will occur at all. Such an eventuality can negatively influence the price and liquidity of SVT tokens.

Force majeure

The Company may have to suspend or cease the performance of its activities and obligations in the event of certain unforeseeable circumstances outside of the Company's control, including (but not limited to) natural disasters, war, terrorist attacks, outbreaks of violence, civil unrest, strikes, mass firings, or system failures.

Risk of token price volatility

The price of SVT tokens can change significantly for various reasons. The Company will not set any guaranteed token value and will not be held liable for any losses incurred by a decrease in the value of SVT tokens.

Risk of project failure

Though the project team has performed numerous market studies, tested consumer demand and obtained promising results, the Company cannot guarantee the commercial success of the project. The project may fail or be liquidated for various reasons, including the volatility of the Bitcoin and Ethereum exchange rates, interrupted or failed business partnerships, or the introduction of new state regulations incompatible with the work of the Company.

**SVT tokens are not an investment tool**

SVT do not represent a legally binding investment contract. The Company does intend to achieve all the goals outlined in the present document. However, by purchasing SVT tokens, you agree to accept the existence of inherent risks.

SVT tokens do not give their holders any property, distribution, control or management rights

The possession of SVT tokens does not invest the holder with either rights of property or distribution (including, but not limited to, the distribution of profits) or any share in the Company. Consequently, SVT holders do not possess any rights to control the Company's operations or make any decisions relating to its activities.

The project team guarantees that all possible measures have been taken to provide factually correct information that corresponds to the exact state of the peer-to-peer business network at the moment of publication. However, the process of project development can result in further changes to the platform that will not be included in the present White Paper until its updated version is eventually published on the official website of the project. SVT holders, in their turn, are responsible for getting acquainted with and agreeing to the contents of any newly published edition of the White Paper.



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28. <https://www.coinschedule.com/>;
29. <https://coinmarketcap.com/>;
30. Other resources: Pitchbook, E&Y; Kamaflow; ICO Lab consulting; etc.