



a new era for **SMART** startups



Trading / Valuation of SMRT Tokens

Ultimately the success of any ICO will depend on whether that ICO delivers to the participants what they are looking for from that ICO. The buyers of coins are looking to derive a financial gain. In order to do this they need a coin/token that is competitively priced, desirable and tradable. The issuers are looking to raise the funds required to build a product that is competitive and desirable. Both groups will judge the success of the ICO accordingly. The beauty of the structure of the SMRT ICO is that the interests of the buyers and the issuers align from day one in a manner that has proved rare in ICOs to date.

The issuers are developing an ecosystem where tokens, known as S-SMRTS, can be exchanged for the smart contracts that have a wide range of practical business applications, both for existing and start-up businesses.

This ICO is offering a token, the SMRT, that is both tradable and exchangeable for a smart contract the same way as an S-SMRT is. This means that effectively, this ICO is a 'crowd-funding forward' sale of tradable tokens, SMRTs, that can be exchanged for smart contracts in the Smart ecosystem.

The SMRT token is thus a tradable token backed by a real product. This underlying value distinguishes the SMRT from many traded tokens and coins currently out there. Since the SMRT can at any point be exchanged for a Smart contract, it intrinsically has the same value as the S-SMRT token. Thus, as long as there is demand for Smart contracts in the ecosystem there will be a demand for SMRT tokens at any price up to the price of an S-SMRT utility token.

This real world use of SMRTs moves the SMRT beyond a criticism that is levelled at many cryptocurrencies, that they have no intrinsic value or use. Many crypto-currencies' value is only what someone is prepared to pay for them at any given moment as there is no innate real business demand for these cryptocurrencies. The SMRT ICO offers an opportunity for existing holders of such cryptocurrencies to switch out of these into a token with intrinsic value. In many ways a move into SMRTs can be seen as a potentially 'defensive' holding within a space where most holdings are speculative in the purest sense. As long as there is a demand for Smart contracts, a SMRT token does offer a store of value.

Alignment of Interests

Alignment of interests between Issuers and Buyers of SMRTs

The value of SMRTs will clearly be a function of the demand for Smart Contracts. The issuers' business success will be dependent on the demand for SMRT contracts. Any development that makes a Smart contract more desirable benefits both the issuers and the holders of SMRTs. Thus the moment one purchases a SMRT (be it at the time of the initial offering or in a subsequent trade) one is in a 'partnership' with the issuers. This 'perfect alignment' of interests, whilst a given in traditional share offerings, is surprisingly rare when looking at ICO structures. As the business and smart contract usage grows the value of the SMRT token will increase.

The fact that a proportion of the intended issuance will be withheld for subsequent fundraising requirements further cements this alignment. Creating a business that has a valuable product makes subsequent fund raising easier for the issuers.

Another determinant of the value of the SMRTs will be the time period before the real demand for tokens for Smart contracts emerges. The sooner the ecosystem is up and running the more valuable the SMRTs are likely to be. This is another area where the interests of the token holders and the issuers align perfectly.

Limited Number of Contracts

The fact that the number of SMRT tokens that will ever be in existence is fixed in advance is also a key aspect of this ICO. Not only is the number fixed, as the business grows, and SMRTs are redeemed for SMRT contracts the number of SMRTs in circulation will fall, hence there should be a 'built in' scarcity value.

Token Issuance in Relation to Market Size

The context of the SMRT token issuance amount is the size of the market we are disrupting. The internet is increasingly becoming the de facto place to form businesses, apply for funding and trade in marketplaces in the first world. Over the next 10 to 15 years, this shift in commerce will also transform the rest of the world. With millions of small businesses, trading billions of transactions over the internet each year, the hardcap issuance of 600 million tokens (300 million in the ICO) is only a small dent in this ecosystem. We are predicting that the SMRT token used in the ICO will be completely out of existence i.e. consumed in our platform within 10 years and a new non-exchange SMRT access token will be needed to purchase our smart contracts. As the worldwide internet trade grows, the SMRT ICO token should become scarce quickly.

The Structure of the ICO

Smart Start-up are proposing an opportunity to take advantage of the growth in the use of smart contracts by offering for sale SMRT tokens that can either be traded on exchange or exchanged for Smart contracts.

This year, 300,000,000 SMRTs will be offered for sale at a price of \$0.21. This offering is split as follows:

- A pre-sale of 60,000,000 SMRTs in April 2018 aimed at the professional investor community. As an incentive to get involved at this early stage, contributors will get one bonus SMRT for every two SMRTs they purchase, so a total of 90,000,000 SMRTs will be released into circulation.
- A crowd-sale of the remaining 210,000,000 SMRTs in Q4 2018 to retail contributors. Purchasers in week 1 of the crowd-sale will receive a 10% bonus quantity of SMRTs and purchasers in week 2 will receive a 5% bonus quantity. However the purchases are spread across the weeks of the Crowdsale, a maximum of 210,000,000 SMRT will be released into circulation.

A further quantity of 300,000,000 or the total quantity of SMRTs released into circulation between the Pre-ICO and Crowdsale, whichever is the smaller number, will be retained for use in potential subsequent funding rounds. For example, if 250,000,000 of the potential 300,000,000 SMRTs are sold in the Pre-ICO and Crowdsale, then 250,000,000 will be retained (and locked until April 2020).

Whilst SMRTs will be available to trade on designated platforms immediately after the Pre-ICO and Crowdsale, Smart Startup expect their ecosystem to go live in Q3 2019 and at this point business in Smart contracts will commence. Purchasers of Smart contracts will be able to exchange either S-SMRT tokens (available at the platform's vending machine at a predicted list price of \$2.00) or SMRT tokens for their desired contracts. Thus at any price up to the list price of S-SMRT tokens, SMRTs will be the economically rational token to use and will be removed from circulation as they are exchanged for contracts. The higher the demand for smart contracts the quicker the supply of SMRTs is reduced.

At predicted demand levels of 75,000,000 SMRT contracts per year within 4 years of commencement of business, the total hard-cap amount of SMRTs (Pre-ICO, Crowdsale and holdbacks to be released after April 2020) should be utilised and removed from circulation in ten years. Buyers of the SMRT token at the Pre-ICO and Crowdsale at a large discount to the intended S-SMRT list price, should have good opportunity to benefit from the demand for Smart contracts by selling them at prices up to the S-Smart price over this period.

To quantify the opportunity, a purchaser of SMRTS at a price of \$0.21 who is able to sell all their SMRTs in ten years time for 0.50, would enjoy a return in the region of 9%. If they bought at the Pre-ICO (effectively a lower price per SMRT of 0.14), sold at a higher price or over a shorter period, their return is potentially significantly higher. A purchaser of SMRTS at 0.14 (the effective Pre-ICO price) who sells their SMRTs in five years for the same price of 0.50, would have gain a 28.9% return.

When asked the question, what is the correct theoretical value of cryptocurrency/coin/token, many market participants trot out the old adage that any token is always worth what people are prepared to pay for it. Whilst this is in many ways true, it often hides the fact that traditional economic and financial theory cannot answer this question.

However in the case of the SMRT one can (albeit probabilistically) attempt to answer this question. This underlines the fact that the structure of the SMRT issuance is providing definable value in the ICO world.

Consider the case that SMRTs are issued tomorrow and the ecosystem is up and running and there is immediate demand for Smart contracts in excess of the number of SMRTs in issuance. Immediately SMRTs are worth the cost of a S-SMRT utility token.

In many ways, the value of SMRTs today to any purchaser will depend on the probability and speed they give in their thinking to reaching this level of demand. Given that SMRTs are being issued at a substantial discount to the intended price of an S-SMRT, the scope for immediate escalation in SMRT value is apparent. SMRTs will trade according to participants' anticipated demand for SMRT contracts.

Some potential participants will look at this and say that gains are capped at the S-SMRT price. Theoretically this is correct, but this still offers buyers an opportunity that is huge in any real terms, particularly in comparison with most current opportunities.

Any opportunity has risk, but this ICO offers an easily quantifiable potential benefit that can be weighed up against the risk. I think the intrinsic value of any smart is a substantial mitigating factor in the risk of any purchase of SMRTs.



Flint Sperber
Economic Model

Flint is a highly respected and experienced derivatives trader who was Head of Energy Options at Credit Agricole and Head of the Commodity Trading Desk at Mitsubishi UFJ Securities. Flint is a cryptocurrencies sceptic so is ideally placed to help us develop our economic model and views of the marketplace.





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web: smartstartuptoken.tech | **email :** contact@smartstartuptoken.tech
twitter: twitter.com/SmrtToken