

Backed White Paper

TOKENIZING PRIVATE EQUITY

July, 2021

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This white paper is written in layman's language and terms to appeal to a large and diversified audience. Various investment terms and crypto terms are widely used in the different sections of this white paper. A definition section is available. For further information or clarifications, readers are welcome to send email to: info@Backed.ai



LEGAL DISCLAIMER

The Backed Offering of up to 1,000,000 BACD Tokens. This White Paper relates to the initial Security Token Offering (the “Offering”) of up to 1,000,000 tokenized shares (as defined below)

The Offering consists of: (i) an initial security token offering to primarily institutional investors in Europe; (ii) a private placement in the United States only to persons who are “qualified institutional buyers” or “QIBs” / “Accredited Investors” (as defined among others in Rule 144A (“Rule 144A”) under the US Securities Act of 1933 and 1934, as amended (the “US Securities Act”)) in reliance on Rule 144A under the US Securities Act; and (iii) private placements to institutional investors in the rest of the world (together with the private placement contemplated under (ii) above, the “International Offering”). The Offering outside the United States will be made in compliance with Regulation S (“Regulation S”) under the US Securities Act.

Prospective investors are advised to examine all risks and legal requirements described in this White Paper that might be relevant in connection with an investment in tokenized Backed securities. Investing involves a high degree of risk. See Section “Risk factors” for a discussion of certain risks that prospective investors should consider before investing in BACD Token.

PRICE

1 Euros per token. The price at which the Backed Tokens will be sold (the “Offer Price”) is expected to be 1 Euro. and will be determined through a book-building process. The number of tokens being sold in the Offering and the Offer Price will be determined by the Company’s board of directors (the “Board of Directors”) and the Backed Investors (as defined below). The Offer Price Range may be amended during the book-building process and, as a result, the Offer Price may be outside the Offer Price Range set forth in this White Paper, subject to any requirement to publish a supplement to this White Paper.

This document has been prepared under Gibraltar, UK, Switzerland and US regulations in compliance with the requirements interpreted in the Consolidated Acts on Securities Trading. Moreover, Backed complies with the Prospectuses Acts of Backed’s jurisdictions, for securities admitted to trading in a Fin-tech regulated environment and for offering to the public of securities of at least EUR 5 mill.

Moreover, Backed comply with European Regulation (EC) in regards to “Prospectus Regulation”.

The Security Token Offering does not constitute an offer to sell or the solicitation of an offer to buy any of the tokens in any jurisdiction to any person to whom it would be unlawful to make such an offer in such jurisdiction. The tokens have not been and will not be registered under the US Securities Act and are being (i) sold in the United States only to persons who are QIBs in reliance on Rule 144A under the US Securities Act, and (ii) offered and sold outside the United States in compliance with Regulation S. Prospective investors are hereby notified that sellers of the Offer Shares may be relying on the exemption from the registration requirements of Section 5 of the US Securities Act provided by Rule 144A. For certain restrictions on transfer of the Offer Shares, see Section 28 “Transfer Restrictions.” The

distribution of this document and the offer of the Offer Shares in certain jurisdictions are restricted by law. Persons into whose possession this Offering Circular comes are required by the Company, the Selling Shareholders and the Managers to inform themselves about and to observe such restrictions.

RESPONSIBILITY STATEMENT

The Company's Responsibility

Backed Holding Ltd is responsible for this offering. The Company's Statement: "We hereby declare that we, as the persons responsible for this Offering Circular on behalf of the Company, have taken all reasonable care to ensure that, to the best of our knowledge and belief, the information contained in this White Paper is in accordance with the facts and does not omit anything likely to affect the import of its contents".

This White Paper contains all the Elements required to be included in a summary for this type of security like token and issuer under the Prospectus Regulation. Because some Elements are not required to be addressed, there may be gaps in the numbering sequence of the Elements. Even though an Element may be required to be inserted in the White Paper because of the type of security and issuer, it is possible that no relevant information can be given regarding the Element. In this case a short description of the Element is included in the summary with the mention of "not applicable."

Warning to investors

Any decision to invest in the BACD tokens should be based on consideration of the White Paper as a whole by the investor. Where a claim relating to the information contained in the White Paper is brought before a court, the plaintiff investor might, under the national legislation of the EEA member states, have to bear the costs of translating this White Paper before the legal proceedings are initiated. Civil liability attaches only to those persons who have tabled the summary, including any translation thereof, but only if this summary is misleading, inaccurate or inconsistent when read together with the other parts of the White Paper or it does not provide, when read together with the other parts of the White Paper, key information in order to aid investors when considering whether to invest in the Backed Tokens. No agreement has been made in regard to use of the intermediaries White Paper in connection with a subsequent resale or final placement of the tokens.

The Company is registered with the legal name Backed Holdings Limited. name The Company also carries out business under the name Backed. BACD refers to Backed's security like token.

Currency of the Offer

The Tokens are denominated in Euros. Tokens includes in respect rights attached to the of voting rights, pre-emption rights, redemption, conversion and Shares restrictions or limitations according to the Articles of Association or eligibility to receive dividend or proceeds in the event of dissolution and liquidation. Each token entitles its holder to one vote at general meetings of token holders of the Company and to receive distributed dividends according to contributions. Every shareholder is entitled to have specific business considered at company's annual general meeting, provided that a written request to that effect is submitted to our Board of Directors no later than six weeks prior to the general meeting. At general meetings, the attending token holders are able to ask questions to our Board of Directors and our Executive Board concerning the items on the agenda.

CERTAIN INFORMATION WITH RESPECT TO THE OFFERING

The information in this White Paper is as of the date printed on the front cover page. The delivery of this White Paper at any time does not imply that there has been no change in Backed business or affairs since the date hereof or that the information contained herein is correct as of any time subsequent to the date hereof. In the event of any significant new factor, material mistake or inaccuracy relating to the information in this White Paper that may affect the assessment of the tokenized equity during the period from the date of publication of this White Paper and the completion of the Offering, such changes will be announced pursuant to the rules in the European Executive Orders on Prospectuses which, inter alia, governs the publication of prospectus supplements. In connection with the Security Token Offering, we have prepared 1 version of this offering document: (i) a prospectus in English. The White Paper have been prepared in compliance with the standards and requirements of European and US Law.

Investors should rely only on the information contained in this White Paper, including the risk factors described herein, and any notices that are published by Backed under current legislations. The Backed investors acknowledge that (i) they have not relied on the Selling Token holders, the Managers, or any person affiliated with the Selling Token holders, the Managers, in connection with any investigation of the accuracy of any information contained in this White Paper or their investment decision; (ii) they have relied only on the information contained in this White Paper; and (iii) no person has been authorized to give any information or to make any representation concerning the Company or its subsidiaries or the tokens.

The distribution of this White Paper and the opportunity of the White Paper tokenized equity in certain jurisdictions are restricted by law. By purchasing Backed tokens, investors will be deemed to have made certain acknowledgements, representations and agreements as described in this White Paper. Prospective investors should be aware that they may be required to bear the financial risks of any such investment for an indefinite period of time. No action has been or will be taken by Backed and its token holders to permit a public offering in any jurisdiction other than the mentioned.

Investors may not reproduce or distribute this White Paper, in whole or in part, and investors may not disclose the content of this White Paper or use any information herein for any purpose other than considering the purchase of Backed tokens.

NOTICE TO INVESTORS IN THE UNITED STATES

This White Paper have not been recommended by any US federal or state securities commission or regulatory authority. Furthermore, the foregoing authorities have not confirmed the accuracy or determined the adequacy of this White Paper. Any representation to the contrary is a criminal offense in the United States. The Tokens have not been registered under the US Securities Act and, unless so registered, may not be offered or sold within the United States, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act. Accordingly, the Backed security tokens are being offered and sold (a) in the United States, only to QIBs in reliance upon the exemption from the registration requirements of the US Securities Act provided by Rule 144A, and (b) outside the United States, pursuant to, and in accordance with, Regulation S and applicable securities regulations in each jurisdiction in which the Offer Shares are offered. In the United States, this White Paper is being furnished on a confidential basis solely for the purpose of enabling a prospective investor to consider purchasing the particular tokenized securities described herein. The information contained in this White Paper has been provided by us and other sources identified herein. Distribution of this White Paper to any person other than the offeree specified by the Managers or their representatives, and those persons, if any, retained to advise such offeree with respect thereto, is unauthorized, and any disclosure of its contents, without our prior written consent, is prohibited and unlawful. Any reproduction or distribution of this White Paper in the United States, in whole or in part, and any disclosure of its contents to any other person is prohibited.

This White Paper is personal to each investor and does not constitute an offer to any other person or to the public generally to subscribe for, or otherwise acquire, the BACD tokens.

EUROPEAN ECONOMIC AREA (“EEA”) RESTRICTIONS

In relation to each Member State of the European Economic Area that has implemented the Prospectus Directive (as defined below), no offer of the Offer Shares may be made to the general public in that Relevant Member State, except that offers of the security tokens may be made under the following exemptions under the Prospectus Directive as implemented in that Relevant Member State:

- to any qualified investor as defined in the Prospectus Directive
- to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the Joint Global Coordinators for any such offer; or
- in any other circumstances falling within Article 3(2) of the Prospectus Directive; provided that no such offer of Offer Shares shall result in a requirement for the publication by the Company or any Manager of a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive. For the purposes of this paragraph, the expression an “offer of the Offer Shares may be made to the public” in relation to any of the BACD tokens in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the Offering and the Offer Shares to be offered so as to enable an investor to decide to purchase or subscribe for the Offer Shares, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State, and the “Prospectus Directive” means Directive 2003/71/EC (and amendments thereto), and includes any relevant implementing measure in the Relevant Member State.

UNITED KINGDOM RESTRICTIONS

Offers of the Offer Shares pursuant to the Offering are only being made to persons in the United Kingdom who are “qualified investors” or otherwise in circumstances which do not require publication by the Company of a prospectus pursuant to section 85(1) of the UK Financial Services and Markets Act 2000. Any investment or investment activity to which the White Paper relates is available only to, and will be engaged in only with persons who: (i) are investment professionals falling within Article 19(5); or (ii) fall within Article 49(2)(a) to (d) (“high net worth companies, unincorporated associations, etc.”), of the UK Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 or other persons to whom such investment or investment activity may lawfully be made available (together, “relevant persons”). Persons who are not relevant persons should not take any action on the basis of the Offering Circular and should not act or rely on it.

DIVIDEND POLICY

All investors investing in Backed security tokens are eligible of voting rights and eligibility to receive dividends.

We expect to pay a dividend of 78-88% of earnings back to investors of the allocations minus management fees and carries (1/10 & 2/20). From 2020, our target, supported by expected cash flow growth from new growth company cases, is to increase the dividend annually by a high single digit rate compared to the dividend for the previous year. Our dividend policy is subject to our commitment to maintain sustainable rating profiles. As an alternative to paying dividends, we may conduct token buybacks. Dividends paid to our investors generally will be subject to withholding tax, while share buybacks will generally be deemed a sale of shares for tax purposes and therefore as a general rule will not be subject to withholding tax provided that the Company is admitted to trading on a regulated market. For a description of withholding taxes in Backed jurisdictions and certain other tax considerations relevant to the purchase or holding of the tokens, see “Taxation.” Section. The actual payment of any dividends in the future will depend on a number of factors, including, but not limited to, the Company’s future earnings, capital requirements, financial condition and prospects, applicable restrictions on the payment of dividends under European law and other factors that the Company’s Board of Directors may consider relevant, e.g. portfolio performance. Under our outstanding hybrid capital arrangements, we have undertaken certain restrictions with regard to our payment of FIAT or crypto currency dividends; in case we defer any coupon payments on any of our hybrid capital securities, such deferred coupon payments must be paid if a decision is taken to pay any dividends to our shareholders. Statements relating to our dividend policy constitute forward-looking statements. Forward-looking statements are not guarantees of future financial performance and actual dividends or token buybacks could differ materially from those expressed or implied by such forward-looking statements as a result of many factors. The Board of Directors may only carry out share buyback upon and in accordance with an authorization granted by the general meeting. The authorization must be granted for a specific period not to exceed five years. The authorization must also specify the maximum permitted value of tokens, as well as the minimum and maximum amount that we may pay as consideration for such tokens. The decision by the Board of Directors to engage in a share buyback, if any, will be made in accordance with the factors applicable to dividend payments described above. As at the date of this Offering Circular, our Board of Directors is authorized to purchase tokens to the extent that the Company’s holding of treasury at no time exceeds 10% of the Company’s token supply. From the time the Company’s tokens are listed on (any) approved and

regulated Crypto Exchange, the purchase price may not deviate by more than 10% from the launched price.

Abstract

A natural evolvement of the tokenization of currencies is now to further tokenize asset classes like private equity, real estate etc. This white paper aims at describing new, innovative ways of tokenizing private equity with the aim of creating a new digital asset class / store of value / security - helping growth companies fund their growth through decentralized processes, technologies and structures, using blockchain and cryptography and helping investors reallocate funds from the stock market into safer and better performing asset classes.

Furthermore, the aim of Backed is to create strong consensus between the established banks, institutional investors, pension funds, VCs, retail investors, crypto industry and growth companies by creating collective understanding regarding the technologies and investment opportunities and goals of the individual parties and to suggest a sustainable framework on a compliant and fully regulated blockchain - all with one overall purpose: To ignite a global re-allocation of funds from the traditional stock market into the asset classes of the future: Private equity and digital assets. This to safeguard investors from large, inevitable future corrections on the stock market in an equilibrium, where all parties become part of a new, smarter blockchain driven investment eco-system and are rewarded in accordance with their individual contributions.

Lastly, the aim of Backed is to introduce frameworks for regulatory bodies, compliance- and governance models with the aim of protecting privacy and corporate privacy, but at the same time with the aim of eliminating money laundry, tax manipulation and helping traditional banks and governments adapt to the monetary systems of the future.

In this white paper Backed will, through theoretical, technical and political methodologies, frameworks and concepts, give examples on how to digitalize and tokenize private equity and at the same time solve the dilemmas of the different players in this eco-system.



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Backed Equilibrium



Backed Equilibrium

In order to suggest a sustainable framework for a private equity tokenization together with a consensus based model of co-operation, one must first understand, who are the main participants in the Backed equilibrium, what are their individual agendas, which benefits do they gain by a given play, in this case – a private equity tokenization and investment play.

GOVERNMENTS

Most of world's governments – with the exception of countries like Switzerland, Gibraltar, Bermuda and few others - do not have clear and defined policies on digital assets. There is general consensus to welcome innovation and new technical development from the FinTech industry, but at the same time no clear roadmap for regulatory frameworks, policies and taxation. Tax authorities do not know exactly how to handle tax on crypto and how to handle the decentralization and privacy issues, and in their lack of clear policies, cryptographic currencies are somewhat being criminalized by numerous governments. China and India – until recently - being the most hostile. However, we do see OECD and other bodies undertaking reviews of profit allocation and nexus rules, considering user participation in value creation, the role of Intangibles and where significant economic presence is found. Thus, the current proposal across jurisdictions is for a "top up" tax, which would involve a denial of deductions or additional source-based tax and granting treaty benefits only to payment flows already subject to a minimum rate of tax. E.g. France wants to tax 3% on digital intermediation services (e.g. online market places) The US Gilti rules, established in 2017, are a tax on earnings exceeding a 10% return on a non-US subsidiary's invested foreign tangible assets. UK 2 percent tax levied on social media platforms, search engines and online market places and so on.

Main goals: Total transparency, full insight, full compliance, securing public safety, eliminate terrorism, protect national currencies, regulate, elimination of criminal activity, prevent money laundry, bring down deficits, grow economy.

BANKS

Looking at how mobile banks and crypto industry have taken severe market shares from banks one could fairly claim banks at a global scale have a risk of being disrupted. All indicators - from price per share – to annual reports – to analysis of market caps in the FinTech space suggest a total disruption is taking place at a global scale at an uncontrollable pace. Having been in power positions for centuries, it's seems extremely difficult for the banks to adapt to the new business models, although banks put more and more efforts into digital transformation. The banks are somehow suffering from private and business customer's turning their backs against the banks and shifting to mobile banking and crypto bank concepts.

Analyzing world's largest banks' digital asset policies – it's clear that the general bank policies are to refuse crypto customers becoming clients. Existing clients running crypto transactions on their normal bank accounts are subjects of being reported and shut down by almost all in the traditional banking sector. The banks of the future will have to adapt and work closely together with the crypto industry to survive.

Main goals: Full control, competitive advantage, making money, be superior, create maximum return on investment for investors.



INVESTMENT BANKS

Investment banks are somewhat non-bias and seek to focus on highest return on investment in whatever industry they can invest in, inclusive potential alternative investments in asset-Backed blockchain based tokenized private equity funds. More and more investment banks offer digital assets as part of their offerings.

Main goal: ROI

PENSION FUNDS

Most pension funds today do not invest in digital assets at all. Its against internal policies. Their main focus is still to invest in listed stocks, private debt bonds, real estate and other traditional asset classes. The sentiment is still “to do what we have always done” but more and more fund managers realize that new allocation strategies must be put in place as making acceptable ROIs on the stock market becomes an ever more challenging task.

Main goal: ROI, financial security, retirement/pension

THE RETAILS INVESTORS

The retail investors are not professional investors and somewhat easy to be manipulated. Government regulations, prospectus laws etc. seeks to protect them but with very little effect. They are by nature crypto friendly, risk takers and expects high rewards. Today, retail investors are not fairly protected in the crypto community or on the stock market.

Main goal: ROI

THE CRYPTO COMMUNITY

The crypto community want a total fiat independent environment. Total freedom. Total privacy. Total financial freedom. They don't like government interference and to be criminalized – (as they are mostly not criminals). Its typically programmers, entrepreneurs, highly educated people and professional investors who turns into crypto, because of crypto's mathematical, game theoretical, programmable, non-political agenda.

Main goal: Privacy, corporate privacy, freedom of speech, freedom of trade.

DIGITAL CUSTODIANS

Digital custodians want to be regulated like the global custodians. They are currently waiting for clear guidelines as to how governments will handle digital asset storage, as SEC, CFTC and other government regulatory bodies currently stalls the process. All are aware that this is a technology problem and should be regulated from a technology perspective.

Main goal: Clear rules and regulations, a clear technology framework



ACCOUNTANTS

The top accountants accept crypto as an asset class, but still have hostile sentiments towards crypto. They are key players in finding out how to connect the dots and establish a framework that will work across the global economies and borders.

Main goal: To sell a lot of hours to all players

THE CENTRAL BANKS

Central banks from over 90 countries are currently discussing how blockchain technology can be used to provide the central banks, regulators and policy makers with new tools to enhance safety, soundness and capabilities of the financial markets and payment systems at a global scale. The central banks want real-time transparency and want to monitor compliance. Most central banks are now in the process of developing their own digital currencies.

Main goal: Control, transparency, compliance

GROWTH COMPANIES

From the growth company perspective, main objective is to secure corporate privacy, defined as the protection of IP from theft, leaks and violations by domestic and international parties. Protection against industrial espionage, full discretionary privileges to ones' business models. As Third parties per default often claim collateral on rights and access to all information and inventions (intellectual property) and assets to provide loans, investments, etc. main goal is to attract funding from non-hostile environments. As entrepreneurs and the general public historically have had no or very little alternative, trust had to be put on the existing banking systems / fiat monetary systems, granting the traditional banks, central banks and governments complete and ultimate power, strengthening their fiat monetary value due to this trust. Governments' and banks' power to continue to create / print money. Now growth companies want access to unlimited capital with fewer restrictions and less delusion.

Main goals: To attract funding, not lose control, be free, have government support



Methodology

In the technical design of the bespoke Backed offering, game theory is applied, and we calculate the “most optimal joint solution, where all parties win”, in a suggested overall framework. This requires understanding of all legal aspects of crypto, regulations, tax issues, criminal perspectives, terror law, government policies, AML, KYC and much more. Backed calculates and suggests the most optimal solution and implement our findings in the total Backed technical offering. Moreover, we use mathematical methods of calculating optimal mixes between asset classes.

APPLIED THEORIES TO THE BACKED TOKENIZATION SCHEME

In the conceptual design of Backed, mathematical models of strategic and logical decision making has been implemented as the foundation for creating a security token concept and an overall framework that is most likely to apply to the global society as a whole as to individual groups within the different eco-systems and aims to create wins for all involved parties.

Game theories are applied both to the business logic within the coding of the Smart Contracts to the concepts and political elements of the total Backed offering.

Considering the Backed equilibrium as a “Coalition of a group of players in a corporate game”, thus applying the Shapley Value theory, as functions of determining and dividing up gains and costs among players according to their value and contribution (or lack hereof) to the Backed equilibrium. Furthermore, we have used game theory to estimate and predict the decisions and actions taken by the different players in the Backed eco-system.

The applied policies and concepts seek to take into consideration all of the different roles in the eco-system, and their individual objectives, and seek to create a play, where all players win and all players are treated fairly. In the coding of the Backed Wallets, Backed Exchange, Backed Smart Contracts etc. and the selection of Backed blockchain provider we seek to implement these findings.



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What Is Private Equity?



What is private equity?

Private equity gains momentum and is by many investors still considered one of the most promising asset classes of the future. By definition, private equity consists of capital that is not listed on a public exchange and is composed by funds, institutional investors, professional investors and retail investors that directly invest in private companies, or that engage in buyouts of public companies, resulting in the delisting of public equity. Invested capital utilizes funding of various industries, from the developing of new technologies, to growing companies, for acquisitions, expand working capital, and to bolster and solidify balance sheets.

Private Equity industry have over the last 5 years experienced unprecedented success. More money has been raised, invested and distributed back to investors than in any other period in the industry's history. At the same time, markets have never been more volatile, trade wars between US and China escalate, Brexit, overvalued stock prices, large government deficits, inflation and numerous other factors all contributes to a need for new safe havens for investor capital.

In this White Paper Backed will describe, how Backed through a combination of different, diversified investment strategies will re-allocate funds from the stock markets into high performing asset classes and stores of value of the future. We call these strategies multi asset strategies. Through very competitive, disruptive models - through groundbreaking technologies and concepts, Backed provide investors with an entirely new investment opportunity.

Dry Powder (Capital ready to be invested, but not yet invested) have never been in larger amounts in the industry. Funds simply can't find enough good investment cases and it is becoming an increasingly larger problem. Learning the hard lessons from the past, investors know that deal makings are important to make, before next financial crisis occur. Negative interest on dry powder adds significantly to the problem.

Thus, the demand for the Backed offering at a global scale is without comprehension.

Indeed, the MOICs (multiples on invested capital) are declining, as the macro uncertainty continues to rise, but still the potential is tremendous - showing potentials across industries of MOICs between 1,5x – 3,5x (healthcare, tech, consumer to be some of the best performing segments). It's fair to say, as competition becomes more and more fierce, large MOICs will become increasingly difficult to achieve even when investing in private equity. The general lack of quality assets, the political uncertainty adds complexity to the equation. As the Backed concept is born global, as mandates on cases from numerous countries are in place, Backed support a lot of GPs with valuable insights on global success cases, and bridge capital with cases at a global scale.

Therefore, Backed will, ironically, receive large portions of the allocated funds from "competitors" – those being private equity funds. and thus consider "competitors" potential clients.

Identifying bubbles are important to prevent corrections. At Backed we strongly believe a big financial crisis is about to occur. Signs are everywhere. From Chinese overheated economy, to US index funds becoming next “safe heaven” to burst, to general stock market, to management sell out of personal shares. Looking at IPO’s performances, signs of fatigue are also showing. A full assessment of Backed take on the current financial situation is found elsewhere in this paper.

Once Backed customers accept these facts and acts upon them, the reallocation will begin.

Backed invests only in successful growth cases with secure, monthly cash flows and very low risk.

To a large extent Backed uses instruments like convertible notes, bonds, revenue share models etc. Backed secures its continuous growth by buying revenue and customers through M&As.

TARGET INVESTORS

- Institutional investors
- Accredited investors
- Funds
- Venture Capital Companies
- Private Equity Funds

TRANSPARENCY

Backed has an open book policy and offer full transparency for governments, law makers, Securities and Exchange Commissions, Backed investors. As Backed's and Backed 's KPIs and portfolio company KPIs are updated at a daily basis and shown in online dashboards, investors can at any given time get a total overview of all operations, pipelines, results, KPIs and ROIs. Financial transparency allows for effective, informative fundamental analysis and in the design of the smart contracts and Backed transparency and reporting are key elements in the design. In the transparency efforts, aim is to have financial transparency, strategic transparency and transparency in the reporting. Not only does this transparency approach comfort investors and regulators, highlights risks and creates momentum for solving complex problems, it also helps create foundation for creating winning strategies to solve most of the difficulties any large or smaller corporation meets in its different growth stages. Another important element in the transparency policies is debt risk elimination. By constantly ensuring transparency in portfolio and own operational expenses and in the assessment of potential investment cases, Backed ensures that decisions are based on facts

and not estimates. Misinformation has become an increasing part of society's manipulative behavior, especially in the stock markets, making it harder and harder for main street investors and institutional investors to get a clear picture of the financial situation of a given investment. Backed believes that investing in private equity and digital assets gives investors a better chance of knowing exactly what to expect and give investors a chance to take part in the governance of those companies and ensuring maximum ROIS.



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Backed's Eco-System And Platform Design



What is Backed?

Backed is a tokenized, truly decentralized, alternative investment fund on the blockchain, helping growth companies with capital and investors with investment strategies and placements into high performing asset classes. Backed consists of a board of directors, investment committees and a decentralized team of developers working on a proof-of-stake basis to improve Backed's offering. Backed uses a scientific approach to calculate optimal mixes between asset classes like private equity and digital assets to maximize investors' returns.

All parts of the Backed offerings are decentralized, from blockchain, to applications, to the community running the operations. This ensures highest level of performance in a programmable way, where all are rewarded according to individual contributions,

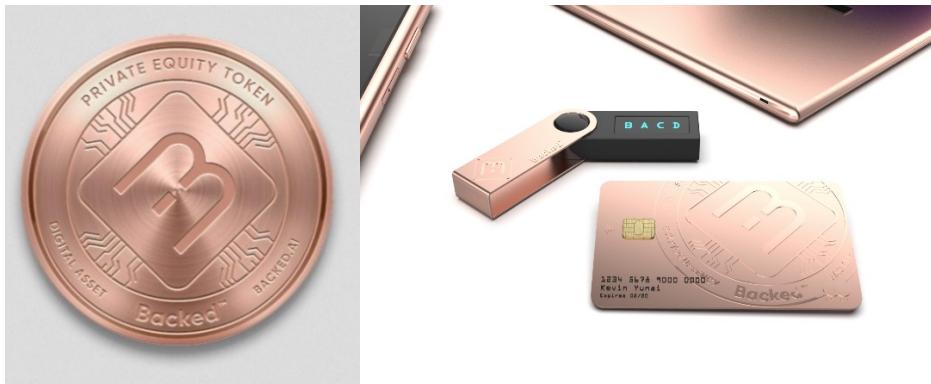
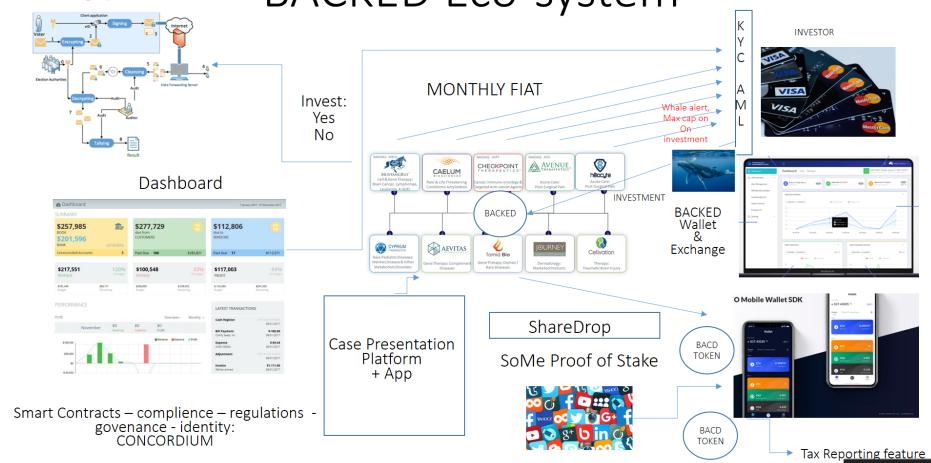
Backed's eco-system and Platform design

Satoshi's publishing of the Bitcoin Whitepaper in 2009 marked the beginning of a new era. A new era for which the established financial systems could finally be disrupted. This white paper honors the thoughts, strategies and innovations made by Satoshi, and synergy innovations made by the crypto industry hereafter by applying similar concepts in our determination to create a pure peer-to-peer tokenized private equity and investment scheme, aiming at eliminating 3rd party involvement, ensuring privacy and corporate privacy and empowering entrepreneurs with funding to reach milestones and grow their companies, but at the same time comply with government laws and regulations and offering investors unique, new investment opportunities with highest possible returns on investments.

To help growth companies and blockchain driven companies worldwide become an attractive and accepted asset class and back them with funding, to create a new trusted financial eco-system Backed by real assets and human capital, fully regulated by instruments and corporate governance, to reallocate funds into better performing placements and invite investors to join a perfect investment eco-system, BACKED presents: The private equity token: **BACD**.



BACKED Eco-system



Backed offers a full solution consisting of cold wallet and online wallet software, Mobile & PC/Mac Apps, digital asset and private equity exchange, ERC1400 security token, Asset Tokenization platform, Deal Room and Play Room. Investments are managed through the Backed Main fund, Backed Early Stage Fund and Backed Private Equity Fund. All in all a eco-system of decentralized apps, to be installed at a permissioned, private blockchain.

BACD Tokenized Private Equity

The BACD token is a private equity token, based on the ERC1400 security token design standard, representing tokenized shares in Backed and moreover in Backed's portfolio of growth companies, constantly growing in size and valuation over time. Thus, the BACD token functions as a Security like token - used for digitalization and fragmentation and store of value of private equity and its underlying asset classes. The BACD token is Backed by the equity of Backed itself and * Backed's portfolio of companies. This makes the Backed token a store of value token and an instrument for investing in private equity through the blockchain. It is the a "Bitcoin" commodity like token - Backed by private equity - a store of value token with tremendous growth potential. Where earlier currencies such as Bitcoin, Ethereum could be defined as "programmable money", digital security like tokens like the BACD token could be defined as "programmable ownership tokens" - in this case of ownerships of company shares from unlisted companies and moreover digital assets. Even though the Backed security like token shares many of the characteristics the ERC20 token - the Backed security like token is designed completely different. This to represent complete and fractional ownership interests in assets and/or entities. In the token design of the BACD token, thus restrictions are implemented on identity, jurisdiction and asset category. In the design, the ERC 1400 Security Token Standard has been used – incorporating among others:

- Differentiated ownership
- Error signaling
- Document references
- Gate Keeper functionality
- Redemption semantics

WHY TOKENIZE PRIVATE EQUITY?

Numerous advantages occur when tokenizing private equity and digital assets in general. Among the greatest advantages are:

Speed of settlement

Securities can be settled in few seconds versus today's average processing time of 2-3 days.

Automated compliance

Because tokens are programmable, compliance with regulators can be programmed into smart contracts, reducing and automating the regulatory compliance burden. Moreover, smart contracts enable execution and governance of the tokens. For example, like in the Backed case, transfer to unauthorized wallets are prohibited and restricted.

Globalization

As the BACD token and other security tokens have no physical form – and only exist in digital form and traded through the internet, they are born global.



24/7/365 tradable

While traditional securities can only be traded during specific office hours, BACD tokens and other security tokens can be traded around the clock 365 days a year, eliminating all current inefficiencies on the market.

Full Transparency

Blockchain ensures transparency of transactions – but keeps at the same time the privacy of the involved parties.

Programmable features

Voting procedures, divided payouts, automated vesting periods and other features can be programmed into the smart contracts of the tokens.

Immutability

Transactions on the blockchain are immutable and are therefore an excellent infrastructure to record ownership of securities.

Cheaper fees

Fees are much cheaper, lawyer costs eliminated etc.

Asset Interoperability

Eliminates incompatibility between classes and eliminates transfer friction.

By this proposed tokenization process, regulators obtain improved visibility and enforceability, and investors are offered a secure, compliant and straightforward way of investing, than e.g. in utility token offerings. Moreover, the private markets today have poor transparency making it almost impossible for investors to obtain oversight and have comfort in making transactions.

The tokenization process suggested by Backed facilitates a fractional ownership of assets, the easiest and most compliant way of transfer and settlement with bespoke, built-in compliance, with the result of creating a deeper market with increased liquidity and increased continuity.

Backed is tapping into an estimated 700 trillion USD tokenization market.



Backed's Eco-System

Backed is a community driven fundraising and investment eco-system for growth companies and investors.

Growth companies are defined as companies, who can present acceptable, monthly cash-flows and turnovers, have groundbreaking offerings, technologies and a professional and proven management and board of directors.

Backed has a legal and technical blockchain driven framework to empower investors, investment funds, private equity funds, growth companies, suppliers, employees with a pure tokenized private equity and digital asset investment scheme to streamline the processes of investing and fundraising for the Backed eco-system and eliminate bureaucracy and overcharging.

By deciphering the DNA of traditional contracts and applying content, rules and logic in smart contracts, by providing the infrastructure to digitalize assets, in a regulated and compliant manner, Backed mashes the best of 2 worlds into one reliable blockchain agnostic consortium blockchain / tokenized private equity eco-system. This demystifies digital assets as a new investment class and creates trust (and eliminates dependencies to 3rd parties) within the joint community. Consortium consists of Backed's main net and subnets corresponding in total to the entire Backed portfolio of growth companies.

Not only does this give Backed the opportunity hereafter to offer investors a new and smarter way of investing into the growth companies, it also activates the crypto industry as potential investors in the growth companies – as crypto is accepted for private equity, through different valuation parameters, ensuring only the most reliable and potential crypto currencies enter the Backed eco-system. Furthermore, the Backed concepts eliminate all middle men and cuts off most of the administrative fees and commissions normally charged.

At all times, the value and the total amounts and transactions, are reflected in the public ledgers, ensuring full transparency, but at the same time privacy as companies and investor names are kept private.

When growth companies apply for and are granted BACD tokens (Backed by underlying fiat and crypto currency values, total amount of BACKED shares and shares in the BACKED portfolio) for their continuous expansion against equity, specific control mechanisms are implemented. These mechanisms ensure that fund spending meets the presented strategy, are within the budgets and funds are successively granted, as different milestones are met.

Transactions are legally binding contracts and a large set of rules are implemented to making sure, funds are not misused, and other questionable conduct is avoided.

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Backed Platform And Suggested Blockchain



Backed Platform & suggested Blockchain

Initially, the BACKED project has been launched on the Ethereum main net and stored in BACKED's own custody solution, but later it is suggested to migrate into the CONCORDIUM blockchain, as BACKED sees CONCORDIUM as the single most promising, compliant distributed blockchain networks and platforms on the market. BACKED and the BACKED portfolio of companies will perform a large amount of activities and transactions on the Concordium blockchain, thus offering a hacker-proof distributed blockchain system for asset tokenization, through a set of open-source protocols and dynamic smart contracts and voting systems – with the aim of offering legally-binding security tokens / growth company equity on the CONCORDIUM blockchain. Tokens represent the underlying assets being equity / legal documents / monthly cash-flows. BACKED and its portfolio will invest in Global Transaction Units (GTU) to run on the CONCORDIUM blockchain (Moreover BACKED suggest investors to invest in the GTU and CONCORDIUM security tokens through BACKED Main Fund).

The processes suggested by BACKED using CONCORDIUM as foundation, are fully compliant and fully regulated. Fully hacker proof. Fully government transparent. Fully privacy compliant.

For the coding of smart contracts and the compliance and corporate governance part of the total BACKED Ecosystem (BACKED Exchange, BACKED desktop and mobile Wallets, BACKED Proof of Stake App and main nets) for the identity and transactions and public ledgers, we also point at CONCORDIUM, as CONCORDIUM have developed world's most compliant and future proof blockchains and smart contract language. Backed by one of the world's strongest and most scientific, technical teams and investors. By choosing CONCORDIUM as blockchain, BACKED ensures the highest standard of certification, highest mathematical proof of formal expectation and for the identity part, CONCORDIUM blockchain ensures highest level of formal verification. In total, BACKED thus presents the strongest possible technical platform for a private equity token concept, in where the wallet, apps and exchange and tokenization platform will be implemented.

The above-mentioned eco-system regulation policies ensure that both growth companies, investors and BACKED are regulated according to a similar set of policies and compliances and all live up to their obligations towards the consortium and are rewarded fairly hereafter. This is done using mathematical algorithms corresponding to players' individual, weighted contributions towards the consortium.

Thus, In the selection of the Blockchain network supporting BACKEDs eco-system and systems, we have searched for a distributed transaction network. A transaction network, that enables high transaction speeds with low confirmation latencies. A network, with parallel processed transactions. A main settlement chain, that can provide universal synchronization of nodes as well as dynamic validator sets. A system, where transactions can be validated and approved by a small number of delegates elected via a representative voting system. A blockchain, that eliminates redundancy and at the same time uphold safety. A system, where consensus can be achieved using algorithms that are optimized for speed and

compliance. A distributed ledger, that is instantly shared and at any given point synchronizes network transactions and shows the valid transactions in a privately secure fashion: CONCORDIUM!

Whereas many (most) blockchain consensus networks often struggle to maintain scalability without performance issues, Concordium's network performs at highest standards without compromising on trust, identity management, compliance and at the same time obtaining delegated consensus using delegated Practical Byzantine Fault Tolerance schemes. This is partly obtained through ingenious schemes e.g. transaction processing and reliable / sustainable Proof-of-Stake mechanisms, offering General Processing Units (GPUS) tokens to community running the blockchain and maintaining all aspects of its continuous evolution, from interoperability, to updating of smart contract language, smart contracts, etc.

By this entirely new design, arbitrary, energy wasting computation is eliminated and a sustainable suggestion presented for a sustainable, financially successful blockchain. It is on this premise, BACKED is built on top with several Dapps. (Decentralized Applications).

The Concordium Blockchain has the ability to adapt to infinite industry's demands, so does BACKED fund structure likewise adapt to several industries' demand.

Under the Concordium finality paradigm, the network can provide much stronger finalization guarantees through its consensus algorithms ensuring usefulness in a compliant dependent environment such as the BACKED ecosystem.

Moreover, Concordium governance mechanisms ensure the different roles in the BACKED equilibrium the ability to modify system rules and parameters as needed while maintaining integrity and trust and allows for seamless upgrades. Its delegated Proof-of-Stake consensus mechanisms ensures consensus on the basis of dynamic weighting.



The centralized versus decentralized versus distributed ownership dilemma

As BACKED is a centralized company, acting as mint for entire eco-system, BACKED and its portfolio of growth companies and investors would benefit tremendously from the success of the launch of the BACKED BACD token.

Such control of ownership of such large sum of tokens, introduces several risk factors and uncertainties for entire eco-system.

To compensate from this and to increase security and minimize risks, and to ensure BACKED founders and investors are self-regulated and will act in the sole interest of the investor community and crypto community, to ensure that the policy frameworks are met, BACKED decentralizes itself and its powers, by introducing scarcity on token holdings, so no one, including Backed team, can hold an proportionally too large amount of tokens, Moreover, a philanthropy concept called ShareDrop™ (aka AirDrop), where every unique, new user who performs proof-of-stake-based activities are granted BACD tokens per automation an equally amount of tokens as a function of total demand for tokens, amounting in total (over time) to 10 percent of the total token supply over time and thus of the company and underlying assets from the BACKED portfolio of growth companies.

From the Bitcoin project we learned, that if a small group of token holders (e.g. miners, whales, etc.) are given the possibility to earn an un-proportionally large amount of tokens compared to the entire token system, in practical terms and ironically, the decentralized objective of the project partly fails, as token holders now in practical terms become centralized organs, with powers to largely affect and regulate, pump or dump the value of the tokens and introducing extreme hype cycles and velocity to the monetary system. In trying to prevent this, BACKED introduces limitation- and control algorithms, ensuring that no token holder can hold a proportionally “too” large amount of tokens in her/his wallet, (or multiple wallets) (We prevent this among others by adding very strict KYC procedures to the buying of tokens, cap the purchase amount of tokens etc.) adding even more scarcity to the BACKED tokenized concept. These self-regulating, equalization mechanisms are conceptual innovations to the crypto industry and we at BACKED hope to see a large impact from these thoughts alone, given all introduced concepts a free of copyrights, free to use, and BACKEDs’ contribution to the framework of a better (crypto-driven) world with more trust and less inequality. Moreover, BACKED have implemented internal Exchange regulation, eliminating pump and dump, eliminating fake transfers to simulate and manipulate actual trading and other unethical behavior on the BACKED eco-system.

Ironically, these mechanisms increase investors' multiples on their investments, due to token scarcity and increased trust and token valuation, just limits the investment sized alpha amount.



Proof-of-stake driven processes

In order to suggest a sustainable framework for the BACKED eco-system, not only will BACKED have to solve the equilibrium between regulators, investors and other players described in this White Paper, but moreover suggest an incentive driven, sustainable, decentralized development scheme, in order for the BACKED Decentralized applications (DAPPS) and protocols to become community driven and operated.

In the following, BACKED will suggest, how BACKED community can interact actively in the mission of creating a sustainable and effective fundraiser and investment platform, on a permissioned blockchain, where all parties win and are rewarded according to individual contributions.

The process of decentralization cannot happen overnight, but will be a milestone driven process over time, starting with very little decentralization and ending in total decentralization, in regulatory compliance and synched with securities regulations.

Why is decentralization so important? Because it eliminates platform risk and ensures long term sustainability.

Engagement from community is essential for the success of the BACKED project and thus, alignment with investors' and regulators' demand for functionality, security and compliance crucial.

Focus is on *value creation* and *productivity*, adding value to the chain of growth companies and decentralized companies.

In the future, platforms profiting upon privacy data sale cannot survive, and thus more user driven eco-systems must be built, where corporative economic incentive models drives development and aligns participants' feature and functionality requests.

Most importantly, decentralized community control is crucial for regulatory bodies accept and support and the aim of BACKED as suggested is to make a true, decentralized and investor driven eco-system, supported by the BACKED community, where value is created not by relying on the efforts of others, but by adding value to growth companies in terms of streamlined processes, increased awareness, fitter products and services and better management, governance and compliance.

In time, therefore, the BACD token - post network launch - will become a non-security, a commodity like Bitcoin, as network and operations will be decentralized and not rely on the effort of others, as the token holders themselves will be in control of the governance through voting systems, value creation etc.

The transformation from a centralized startup into a decentralized, operational, community driven, decentralized company is illustrated in the Project Road Map described elsewhere in this White Paper.

A core team of developers will drive the first development phases creating a Minimum Viable Product, which means a functioning prototype with very few of community's desired functionalities. Knowing that community later will control its features, developers will make best practice suggestions. Transparency and openness is key parameters in obtaining Investor, Regulator and Community trust and thus BACKED have invented a development concept: *Impact Driven Development*.

IMPACT DRIVEN DEVELOPMENT

For each product (and blockchain itself) community as a whole can make *feature requests*. Each feature will be estimated in terms of competition driven cost estimation.

IMPACT from the features will be calculated and community will be able to overview, what impact a given feature at what cost will add of DAPP Value.

Investors (platform users) will VOTE on best features and community will thus drive development.

Payment will be distributed as a platform incentive to the different *contributors*. Payment will be denominated in Euros on contributors' BACKED debit cards, in BACD tokens as so-called sweat equity payment or in some instances preferred, exchange traded crypto currencies.



CONTRIBUTORS IN BACKED IMPACT DRIVEN DEVELOPMENT SCHEME

Tech Architects – designs overall logic

Frontend developers – helps with frontend applications

Backend developers – helps with backend applications, databases etc.

Smart Contract developers – improves Smart Contracts according to voting lists

Blockchain developers – drives development on the permissioned blockchain

Desktop App Developers – improves features on the desktop applications

Mobile App Developers – improves functionality on the Mobile Applications

Security Team – ensures BACKED from hacking and keeps system secure

Testers / Bug Bounty Hunters – constantly tests and bug fix all applications

Documentation writers – constantly updates documentation on all applications

***SoMe workers** – marketing the cases

Community Managers – constantly updating the community and engaging

By moving cost of development to the users (investors), distributing and fragmentizing cost fairly - so a given feature will cost “an insignificant little amount” and having a community backing and maintaining the total solution is a sustainable, long term solution.



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Macro Perspectives On The Need For Tokenized Equity



Macro perspectives on the need for tokenized equity

Governments will hardly admit it, central banks or stock market neither, but most of the old, in BACKED's opinion broken and overvalued monetary systems, currencies and stock markets are in deep crisis at a global scale.

As doubt arises whether several countries' central banks have sufficient foreign exchange reserves to maintain the fixed exchange rates, as balance of payments deficits are more and more in imbalance and as crypto currencies keeps gaining momentum, as there is no or very little control with the unbacked money creation, as stock market valuations are deeply overvalued, and financial market as a whole over heated - governments all over the world at highest levels are now being severely challenged and are now debating what legislations and regulations to be implemented to keep power and control, almost proportionally in scale with the countries' foreign denominated debt's rise and the home currency declining values and increasing central bank currency issuances. From the outside it seems like the money creation and total global debt is out of control!

The BACD token in its core is immune and uncorrelated to the total, global amount of currencies and monetary systems and political agendas. It's a token based and valued purely on network adaption, equity and human capital.

As companies and communities over time, in normal and best cases scenarios, most likely will embrace the BACD token, BACD token will become a very valuable asset class, due to its backing by real company valuations, equities and cash-flows, user adaption at global scale, innovative technical designs, use case as utility token in own eco-systems and as a trusted security token and asset class. Allocations, exponentially growing community and success of investment strategies will of course add to the token value. For many reasons Backed believe, tokenized private equity and digital assets will be the investment classes of the future. Its growing market caps documents the increasing demand for these new, high performing asset classes.



Global mega trends

As the – in BACKED's opinion - overvalued, conglomerate companies become larger and larger in size, AI, robotics and automation takes over much of the manual processes, employers at a global scale demand more and more from their employees, making it more and more stressful and unattractive to be a worker. It becomes more and more difficult for the large companies to keep their existing work forces and attract talent, as these "entrepreneurs by heart" can easily start up online businesses and market and sell their goods and services on Instagram, plug into freelance networks - making much more money than as an employee at a large cooperation. As these generations are educated every day BACKED foresee a tremendous boost in the creation of growth companies in the very near future.

To further support this argument, we see a global mega trend in the x, y z generations for accepting working for sweat equity in the growth companies. They have totally reorganized themselves, cut costs to minimum and are determined to be shareholders and business owners and have very little interest in short term fiat. Their social media profiles are cash flow generating asset classes - they can work for anyone, anywhere, plug into cloud systems and offer services as good or better as established companies. BACKED's proof of stake concepts fully complies with this trend – and we at BACKED strongly believe, BACKED will be the proof of stake platform of the future, ensuring BACKED massive resources and exposure.

At this current point of time not many people think about it, but social medias like Facebook are hyper controlled platforms, with limitations on amounts of friends, you can add, etc. not fully enabling the masses to organize themselves. BACKED foresee in the future that these generations organize themselves in decentralized, self-controlled, billion user groups, where they instantly can put pressure on companies not applying to the "better good" and use banning of consumer related goods, hedge strategies and other instruments against the stock market - the crypto community being one of the central drivers of this movement. Crypto social medias like Minds, Uptrennd, Steemit could very well ignite this movement.



Warning signs of a global meltdown of the current financial system

We at BACKED – for many reasons - foresee a major financial crisis in the stock market! All indications are currently present for a major melt down and we see a tremendous shift from noted stocks into private equity and digital asset classes - at a global scale. For the first time in history inflation rates on USD are higher than on Bitcoin (but held down from exploding due to workers not getting more in salary and companies being more efficient and people spending less money) and we foresee a major institutional and private re-allocation of funds into Bitcoin and other digital assets. We see governments' and central banks' continuous hostility towards crypto as signs of concerns.

Taking a closer look at the possible triggers of a new financial crisis, we see numerous warning signs:

:

AUTOMATED TRADING SYSTEMS

Are likely to ignite a global crisis and can create a domino effect

GLOBAL STIMULUS PACKAGES

Are coming to a definite end and did not have the desired effect

TRADE WARS

Makes investors at a global scale nervous and creates dry powder and insecurity

INFLATION RATES

Indicates an economy in deep crisis

INTEREST RATES

Any increase will have severe consequences for businesses and households who would not be able to pay back the expensive loans and would ignite global crisis

AGING POPULATION

A bomb under the economy as the younger generation will not be able to keep up and finance the increasing retiring population worldwide.

INCREASING HOUSEHOLD DEBT

Debt at global scale is growing out of control



CORPORATE DEBT

Companies at global scale have a hard time to keep up with payments due to the economic slowdown and turbulence

CREDIT CARD DEBT

Alone in US – credit card debt is now 829 billion USD – Fed interest raise would cause a butterfly effect and ignite a global crisis.

MANUFACTURING RECESSION

We are in the beginning of global manufacturing recession

INDEX FUND BUBBLE

The index funds are becoming a bubble, a burst could also trigger new crisis. Federal Reserves all over world are lowering interest rates – serious signs of crisis

DIPLOMATIC MELTDOWN

One of the biggest risks are that diplomacy meltdowns between US and China and other continents would trigger global crisis.

CBOE VOLATILITY INDEX

Is down a staggering 44% to 13.74

HIGH YIELD JUNK BOND

And other toxic financial instruments are adding to the contribution of a financial crisis

JOB AUTOMATION

As companies will do everything to cut costs job automation will take over almost all resource heavy functions – we already now see tremendous growth in job automation usage and use of artificial intelligence.

All of the above adds argumentation for the need of systems to help tokenize private equity and for the future need of more controlled eco-systems for investing in, fundraising, managing and selling private equity. BACKED presents a safe haven for investors and foresee massive reallocations into the BACD company portfolio.



Proprietary token within walled garden test & why new eco-systems must be built

The in this white paper suggested technical framework and BACKED tokenization could easily – and most likely - much more robustly been designed – using existing online – cloud- and off chain technologies and databases and built on top of existing monetary systems, Backed by traditional banks. BUT, hence BACKEDs defined target is to create a new monetary eco-system designed to meet the needs of the future and is not built on top of the old, imperfect fiat system, it makes perfect sense to base the project on the inventions from Satoshi and the crypto industry itself. On this basis, and on the basis of the total BACKED offering of open source code in repository, experienced advisors, management team and a supportive community, a fairness concept and a self-regulating framework and community driven voting procedure, we claim to have passed the “proprietary token within wallet garden test” (a test to determine if a given token has a purpose within a closed eco-system) and documented a true use case for the BACD token.

To further support the argumentation, introduction of new currencies, according to numerous studies and history lessons, are always for the better, as new currencies will always drive development, innovation and its features either fail in real live test and die or become contributions to fitter, later versions, in never-ending currency competitions.

Conclusively: Only the network adoption of any suggested currency, should determine its legitimacy (and network adoption penetration rate determine its value), and only by the creation and introduction of the currency in question, can this – over time - be determined.



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Backed Investment Strategies



BACKED investment strategies

BACKED have put together a diversified investment strategy, where we invest in following Asset Classes:

Private Equity (in growth companies)

Digital Asset – Main Crypto Fund Early and Stage Crypto fund (promising crypto projects) (Long-term Bitcoin investments etc.)

Real Estate (bonds and loans)

INVESTMENT STRATEGY PRIVATE EQUITY

BACKED invests in growth companies able to scale into unicorns. Below, we have simplified the selection process. Naturally, selection of growth cases relies on many more factors.

BACKED CRITERIA (SIMPLIFIED)

- Companies must have existing strong management
- Revenue generating and great growth potential.
- Historically profitable businesses with stable and predictable cash flow and earnings before interest, taxes, depreciation and amortization
- Product or offering must be innovative
- Roadmap for growth must be in place
- Partner & distribution strategies must successfully in minor scale have been implemented
- 5-year budgets showing growth
- Company cannot have severe debt, legal claims against it
- A sales pipeline of at least x4 revenue must be present
- Not more than 80 percent of the revenue can come from 20 percent of the customers in the portfolio
- Company's financial department must be able to present weekly or monthly status reports and sends warnings in due time if actuals do not meet agreed budgets.

OVERALL INVESTMENT GOALS

BACKED overall investment goal is at all time to maximize profits for investors and the BACKED community, so that the BACKED token continues to be the most trusted private equity token and monthly cash flows paid on their FIAT credit cards, are secured for our investors. BACKED looks at investment deals with minimum 8-12 percent interest rates. Target is a minimum allocation of 100 mill. Euros for BACKED funds after 2-3 years of operation.



BACKED Valuation methods

Estimating valuations for companies is an extremely advanced discipline. At BACKED we will hereby give examples on different valuation models used when BACKED looks into investing in growth companies. Investment can be in early stage ventures, management buyouts, management buy-ins, infrastructure, credit and or similar investments and investments in funds making such investments.

The Valuation methods, presented in this section are aimed at being applicable across the whole range of BACKEDs Alternative investments in digital assets, private equity and real estate. BACKED aims at giving investors a Fair Value measurement, derived when using these guidelines are compliant with both International Financial Reporting Standards (IFRS) and United States and EU Generally Accepted Accounting Principles (US GAAP) and (EU AAP) This has been done in order to provide a framework, which is consistent with accounting principles, BACKED uses to define a Fair Value for Investments.

BACKED board of directors, BACKED Investment committee commits to carry out periodic valuations of investments as part of the reporting process to investors in the BACKED Main and Early Stage Funds and investment allocations managed. The objective of these valuation methods and schemes is to demonstrate best practice where Private Capital Investments are made, with the aim always to maximize investors' ROIs.

Due to regulations and investor protection, valuation estimates, due diligence processes are of utmost importance for BACKED.

In overall terms, BACKED uses basis of valuation (Fair Value) models, which determines what the carrying amount represents, different valuation techniques (e.g. earnings multiple techniques) for deriving valuation and analysis of important data inputs – used in the valuation method, such as but not limited to: EBITDA.

When looking into asset allocation decisions, manager selection decisions, investor incentive compensation it is extremely important to create transparency, base decisions on data and “gut feeling” and use the collective intelligence suggested in the BACKED voting procedures, in order to have maximal and optimal conditions for making the right investment decisions.

As BACKED focuses on optimizing a portfolio of companies it is important that the valuation methods are consistent, that market potential and penetration potentials are estimated, that data inputs are constantly calibrated, that documentation is looked at critically and with good judgement.

According to industry definitions, "Fair Value is defined as the price at which a given transaction would take place between market participants at a given date". Thus, Fair Value is the hypothetical exchange price taking into account current market conditions for buying and selling assets. This means that Fair Value is not the amount that a given entity would receive or pay in a forced transaction, liquidation, or distressed sale.

Although transfers of shares in private businesses are often subject to restrictions, rights of preemption, regulation and other barriers, it should still be possible to estimate what amount a willing buyer would pay to take ownership of the proposed BACKED investment, at a given point in time.

One very important thing to remember, is that all valuation inputs of any company are in the millions and thus constantly change, why BACKED uses artificial intelligence tools to help constantly monitor the millions of factors changing in the valuation determination. In the following are given just a few examples of parameters constantly changing:

Stage of development of a given enterprise

New markets develop

New information becomes available

Old information is no longer useful

Market conditions change

Legislation and regulation changes

Mega trends occur

Etc.

When reporting back to investors through the BACKED Dashboard, BACKED uses the Net Asset Value (NAV), where purchase price is used to calibrate valuation model. In some instances, BACKED may test NAV values by carrying out sales processes of given assets, just to determine value of given assets and calibrate accordingly.

Conclusively, BACKED determines enterprise value using valuation techniques, then adjust the enterprise value for factors found by market participants, and present an adjusted enterprise value for the BACKED investors. Then adjust for potential positive factors like increased pipeline, milestone reaches but also for risk factors such as internal or external factors and market situations that might dilute the investment.

For above reasons, BACKED understands private equity follows hype cycles with very large volatility, meaning large potential upsides but also large risks and that valuations are and can only be seen as intelligent indications of value with no real proof or guarantee of value, until assets have been successfully purchased by market participants.

When investing into private equity many investors forget to calculate the dangers and risks of third party debt on short and long term basis. As debt claims always has a higher ranking on the growth company than investors' investment allocations, Enterprise Value should

always be adjusted for these risks. Lenders will most likely try to maximize and enforce powers at the expense of enterprise value, so Enterprise Value must always be calculated at a zero debt basis and at worst case scenarios.

When BACKED enters a private equity investment, it is almost always to build, develop and implement substantial changes in the growth company, whether it is to its strategy, operations, management or financial condition. Sometimes, these situations involve digital transformation, a financial turnaround of the growth company. While it might be difficult in these situations to measure Fair Value, it should in most cases be possible to estimate the amount a Market Participant would pay for the Investment in question at a point in time. From experience however, BACKED aims always to maximizing valuation of the companies by:

Implementing professional board

Carry out digital transformations of the companies together with tech partners

Cut costs and make new business models for the companies

Strengthen sales & distribution



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Backed Funds



Backed's digital asset funds (main fund & early stage funds)

Backed main fund

Investment strategy main digital asset fund

GENERAL STRATEGY

Long-term buy and hold of dominant protocols within their respective use cases — with short, hedge and fiat positions when we expect conclusion of a hype cycle and bear period to be arriving.

SELECTION OF DOMINANT PROTOCOLS

We start out with considering which unique use cases that decentralized networks with native tokens can execute on — and which the world has real demand for.

After having defined these use cases, we then consider which set of trade-offs is best for executing on this opportunity.

With this set of trade-offs, we then consider which digital assets, if any, have taken this set of trade-offs and which have positive future expectations for continuing to take the right trade-offs.

With that, we now have a short list of existing digital assets that all can execute on this use case with the right set of trade-offs and we then do a comparative analysis (1) among the potential investments to select the best investment opportunity among them.

With a decision about which digital assets provides the best over-all exposure towards the use case, we now consider the practical steps for entering the position.

We continuously reconsider al foundational knowledge and research for existing positions. It is rare that existing position is liquidated due to the investment case no longer being present to the same extent it was the time of first investment, but we continuously reconsider all our positions in the market.

(1) In the comparative analysis we perform due diligence on the following, but not limited to: source code; involved contributors' competences and backgrounds; treasury policies, if any; viewpoints among the community (short term vs long-term); technical roadmap; tokenomics; exchange and market liquidity; market cap, risk factors and so on).



PORTFOLIO CONSTRUCTION

Our portfolio is constructed from the process of selecting dominant protocols described above. The use cases with the most potential and the most interesting risk/reward will take up larger positions in the portfolio than those with smaller potential and less interesting risk/reward.

PORTFOLIO RISK MANAGEMENT IN RELATION TO HYPE CYCLES

We believe that the bitcoin price movements (and the crypto market as a whole) follows a fractal pattern that is of increasing magnitude. Each iteration of the fractal pattern looks like a classic Gartner hype cycle.

This behavior has been observed since the early days of Bitcoin. In the middle of 2011 BTCUSD experienced a top of ~\$31, but a baseline of ~\$1. In the start of 2013 BTCUSD experienced a top of ~\$250, but a baseline of ~\$13. In the end of 2013 BTCUSD experienced a top of ~\$1100, but a baseline of ~\$120. And more recently, BTCUSD experienced a top of ~\$20k in the end of 2017 / early 2018 and now in 2021 with a baseline over \$30.000 after highs above \$60.000.

We try to actively utilize this to our advantage. In scenarios where we believe a hype cycle is coming to an end, we actively exit the market or go against the market, by way of short, hedge and fiat positions. For instance, around 5th and 6th January 2018 we took large hedge, short and fiat positions against the market with the sole intention of maintaining USD value and protect against the expected drawdown, in case the hype cycle had ended, which it did.



SHORT, HEDGE AND FIAT POSITIONS

When we believe a hype cycle is coming to an end, we utilize a mix of short, hedge and fiat positions to maintain USD value. The goal of this strategy in the end of a hype cycle is to maintain USD value, not necessarily to increase USD value. If we maintain USD value in a market that experiences, say, 50% drawdowns overall, our BTC and crypto assets positions holdings will of course increase.

Normally it is a mix of 3 potential actions:

1. Crypto holdings are sold for fiat on reputable crypto exchanges and withdrawn to own bank accounts for storing. This action is normally used for crypto assets with less infrastructure for option (2) and (3). With fiat positions the USD value is, ipso facto, maintained.
 - 1.1 Within fiat positions we also count stable coins as an opportunity. Dai, for instance, can be used as cheap, fast and without counterparty fiat hedge for smaller amounts of capital.
2. On reputable exchanges we take short positions to hedge existing long positions. With identical short positions against the long positions we, ipso facto, are maintaining USD value, minus counterparty risk against de reputable exchanges. We normally utilize many different exchanges for this, to reduce the total influence on the portfolio if one exchange defaults.
3. Given we are adequately certain that the hype cycle is ending and large drawdowns are coming, we can take clean short positions not to hedge existing long positions, but solely to generate alpha in the time period where the hype cycle is ending and bear market is present.

SECURITY

To securely custody digital assets is a trade-off between convenience and security. We always optimize for the latter. All digital assets in our custody require real work to interact with and move. This is deliberate. Our custody solutions are not disclosed to third party clients for security reasons — but our internal expenses to continuously improving our security is one of our largest buckets of expenses. For third party clients, with no capital directly placed in our funds, but who receive our research, we will recommend a custody solution to fit their needs alongside the convenience and security spectrum.

REBALANCING AND REALIZATION OF PROFITS

On a monthly basis we consider if some positions have grown to large relative to others. If they have done so, we may in some instances realize some profit in a position that have grown to large and allocate this capital to positions that are too small.

This does not mean, however, that we actively and deliberately rebalance the portfolio every month. We consider it on a case by case basis.



TIME HORIZON

The longer time horizon, the better.

The crypto markets as a whole and the digital assets that execute on interesting use cases should be viewed as long term, asymmetric bets.

These are investment opportunities with limited downside (-1x) and unlimited, often exponential upside (>100x) over long-time horizon. For these upsides to be achieved, time and patience is required. The above-described strategy cannot effectively come to show in returns if the time horizon is short. Everything less than a few years is too little and real risk of being exposed in a quiet period of the market, before the next parabolic hype cycle starts, is present. Investors investing with BACKED should agree to 5-10-year relationships.

*For more information on BACKEDs digital asset investment strategy, read the BACKED book: “**Bitcoin – the new form of money**” by applying for free copy on info@Backed.ai – detailed strategies for BACKED Main fund and Early Stage Crypto fund also described below.*



Backed early stage fund

Investment strategy early stage digital asset fund

GENERAL STRATEGY

Long-term buy and hold of early stage crypto projects. Early stage crypto projects with market cap ranging effectively from ~\$0¹ to low three-digit million amount USD at entry point. Goal is for each position to provide asymmetric exposure with downside: upside skew of -1x >50-100x. Magnitude of success is the focus, not frequency of success. Returns follow a power law.

Profits are realized when adequate amount of upside have been obtained — and losses are taken when the circumstances have changed to such a degree that we no longer ascribe adequate probability to the upside being realized in the future, so the opportunity cost is too large. In some instances, how the hype cycles are playing out may result in taking profit.

SELECTION OF EARLY STAGE CRYPTO PROJECTS

Similar to the main fund, we start out with consideration of which unique use cases that decentralized networks with native tokens can execute on — and which the world has real demand for.

Contrary to the main fund, in the early stage fund there is less need for a proven use case and demand. This is also reflected in the market cap of the underlying digital assets that execute on these more proven, instead of less, use cases. For instance, a digital asset with a market cap in three digits \$bn versus one with a three, two or one-digit \$mn. This much smaller market cap entry point to the position provides much larger potential reward and risk.

Our process for considering unique use cases for the early stage fund follow the same process as the main fund², but just with lower requirements for proven use case demand and larger diversification of use case.³

Central in how we select early stage crypto projects is our ability to help the project. It is important to point out how non-scammy, legit, decentralized crypto-projects cannot be viewed as classic, joint-stock companies — but how the new, early-stage crypto projects are often very centralized in the early days. Especially on the governance and involved contributors' aspects. Usually the project will continuously move from being very centralized

¹ For instance, as a result of first round of funding for a crypto project, speculative mining, airdrops, and so on.

² Which unique use cases does decentralized networks with native tokens allow? → Which set of trade-offs is best for this use case? → Which existing, if any, crypto asset has best taken that set of trade-offs and which have positive time horizons for continuing to take these best trade-offs? → Comparative analysis of the remaining investment opportunities (source code, involved contributors, short/long term thinking among the community, market cap and exchange- and market liquidity, roadmap, tokenomics, and so on) → Finally, the investment decision is made and practical steps for taking the market position is considered.

³ The early stage fund normally holds 10-20 different positions.



in the beginning to being more decentralized as it develops. For decision making and the velocity at which product is developed to be fast in the beginning a certain amount of centralization is required.

In these early days any crypto project has immense need for help. We intend to actively help and offer labor to these crypto projects and have already done so to countless projects through many years. We help with many things, including initial token sale construction, design of the networks crypto economic incentive structures, recruitment of competent people, contact and setup with exchanges, source code review, mentoring, and so on.

For early stage crypto projects with promising prospects, ideas and founders it is very easy to raise the first round. Capital is not a scarce resource; it is incredibly abundant. In a week or two, any promising early stage crypto project can raise a private round of 7 or 8 digits in USD.

Therefore, as an early stage fund, there is no competitive advantage in selling capital. Especially when the cost of capital has been drastically reduced by the influx of unsophisticated retail investors.

For the promising early stage crypto projects with an effective market cap of ~\$0, the only way to win the deal is to through proof of work in utilizing one's network, competences and alignment of values and vision.⁴

For early stage crypto projects that already have liquidity and are actively traded on exchanges, this value-add approach in winning deals is less relevant as one can easily take open market positions. In doing due diligence on early stage crypto projects that already have public market liquidity we do still, however, take contact to the founding team to learn more and offer our help. In some instances, we may acquire positions directly by purchasing from the founding team and their treasury or through OTC brokers, to not execute trades on the open market.

PORFTOLIO CONSTRUCTION

Our portfolio is constructed from the process of selecting early stage crypto projects described above.

Historically, we have had between 10 and 20 active positions at any given time. These range in market cap, at entry point, from one digit to low three digit \$mn market cap.

⁴ All this with value-add as specific reason for winning a deal is specifically related to early stage projects that are too early to have public market liquidity on exchanges. This deal is more easily thought of as an early-stage seed investment.

PORTRFOIO RISK MANAGEMENT IN RELATION TO HYPE CYCLES

Like with the main fund, we believe that the bitcoin price movements (and the crypto market as a whole) follows a fractal pattern that is of increasing magnitude. Each iteration of the fractal pattern looks like a classic Gartner hype cycle.

We try to use this to our advantage – but it is not utilized to the same extent as in the main fund. In an early stage fund with, for example, an entry point of two digit \$mn market cap that has grown into a low three digit \$mn market cap, but still have considerable upside to potentially achieve, it is not necessarily always rational to realize gains before a potential hype cycle could end.

This is because the early stage fund is focused on riding the winners from the early beginnings to the complete realization of the >50-100x upside that we initially considered with adequate probability of happening. Therefore, a potential, say, 50% drawdown as a result of hype cycle dynamics is less relevant when the entire focus is on riding the winners to their full potential – and not to reduce exposure to drawdowns and negative volatility throughout the lifetime of the fund.

SECURITY

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REBALANCING AND REALIZATION OF PROFITS

On a monthly basis we consider if some positions have grown to large relative to others. If they have done so, we may in some instances realize some profit in a position that have grown to large and allocate this capital to positions that are too small.

This does not mean, however, that we actively and deliberately rebalance the portfolio every month. We consider it on a case by case basis.

Relative to the strategy for rebalancing and realization of profits in the main fund, the required price appreciation to consider rebalancing and realization of profits is larger in the early stage fund.

TIME HORIZON

The longer time horizon, the better.

The crypto markets as a whole and the crypto assets that execute on interesting use cases should be viewed as long term, asymmetric bets.

These are investment opportunities with limited downside (-1x) and unlimited, often exponential upside (>100x) over a long time horizon. For these upsides to be achieved, time and patience is required. The above-described strategy cannot effectively come to show in returns if the time horizon is short. Everything less than a few years is too little and real risk of being exposed in a quiet period of the market, before the next parabolic hype cycle starts, is present

The optimal time horizon for positions in the early stage fund is much closer to 5-7 years than just a few years. These early stage crypto projects, like early stage tech companies, take time to develop and mature. We have no interest in flipping early stage projects for quick profit on unsophisticated retail investors, but instead wish to be exposed for the long haul game of achieving the full upside.

We have already seen enormous price appreciation and 50-100x returns in existing early stage positions. But for many of these, there is still considerable upside awaiting.

Together with the process of selecting the right projects, the length of one's time horizon constitutes the most important factors to success in crypto asset investing

Investment criteria

Now that we have selected the most reliable and compliant blockchain, now that the growth companies' equity has been tokenized and is accessible through the BACKED eco-system; growth companies can now officially do their funding rounds.

The round size is determined by the growth companies – the ASK (amount of money asked in the round) digitally presented for the BACKED investment community / committee, where blockchain voting procedures through BACKED voting systems correspondent to individual, weighted contributions determine - if funding is approved or not. (BACKED's centralized investment committee have final say and veto rights on all suggested investments and suggestions).

Thus, due diligence and allocation of funds to the growth companies follows the BACKED due diligence processes and investment criteria and voting procedures described elsewhere in this white paper.

Fiat and exchange traded crypto from funds and professional investors can buy BACKED security tokens (and as the name / brand suggest the security tokens are BACKED by growth company equity). Through the BACD token distribution from the BACKED Exchange and other selected crypto exchanges, where BACD token will be listed. BACKED functions as mint / hub for entire BACKED ecosystem. – Tokens are Backed by underlying private equity from company A, B, C etc. and fiat, securities and other listed digital assets. Once transactions are validated and registered and the company equity is in the digital private equity repository - after due diligence – and community voting procedures are completed – BACD tokens are released and transferred to the investors' wallets, FIAT invested in the companies' and thereafter the amounts of the transactions published to the public ledgers (parties are anonymous but amounts and dates etc. transparent).

As (an acceptable percentage of) the growth company valuations (most likely) increase rapidly over time (by nature, some will inevitably fail), so will the token value (most likely) increase rapidly over time, ignited by a shorter and shorter supply of the tokens. This is partly due to the BACKED token issuance politics and maximum cap policies, ensuring only supply of 1 billion tokens and hardcoded rules in the code never to produce more, and that no token holder can hold an proportionally too large amount of tokens, partly due to the expected huge swap of equity at agreed valuations in return for BACKED tokens.

Lastly, by an introduced philanthropy concept, functioning as token burn concept in theory, just with an entirely different global impact, ensuring BACD token scarcity and mass adoption.

Real estate

BACKED's access to interesting and lucrative real estate deals brings BACKED investors comfort for monthly cash flows. BACKED Real Estate strategy is to lend out money (with security in the buildings) to developers - moreover to buy, optimize and flip Real Estate.

World economic Forum estimates that 10 percent of the 228 trillion USD Real Estate market will be tokenized in less than 10 years. At BACKED we have contracts with the leading blockchain companies within real estate.

By tokenizing real estate, you have access to buying property 24x7x365 and you get a fractional ownership - better price discovery and market efficiency, very little transfer fees, no lock in, automated compliance, transparency, security, immutability and many more advantages.

Backed cost of operations, platform, management fees and success fees

As Backed has automated and disrupted the traditional venture fund model, Backed is also able to present a structure much more advanced and cost efficient than current VC companies. Where traditional VCs only allocate in average 80 percent of Limited Partner capital into growth companies on a 10 year weighted period and the rest goes into expensive salaries, office space, furniture etc, Backed allocates all 90 percent of Limited Partners' capital into investments and entirely runs its operations digitally, as Backed only takes 1 percent in management fee. The fees go to run all legal aspects of the Backed platform, community, constantly updating code base and providing the Backed project with sufficient, qualified profiles, to put together skilled staff of portfolio managers, analysts, investor relationship managers, experienced general partners and handle all legal issues, Backed charges a management fee of only 1 percent of all investor funds allocated into the Backed eco-system. Management fee is charged per year upfront. Moreover, Backed only charges 10-15 percent in performance fee (VCs normally charge 20-30 percent in carry) depending on deal size and investment risk. There is Return of Capital procedure, ensuring all investors 100 percent of distributions go to the investors until they recover all initial allocations through waterfall model). On top of this, there is also a preferred return, ensuring, that investors also get back



their preferred return on their investment. For growth case fundraising, growth company is charged 6-10 percent of fundraise paid in equity or cash, depending on complexity of the case.

When investing, Backed always secures an agreed percentage of growth companies' current and future monthly revenues, equity in the company and an exit deal down payment amount of all equity of the company.

EXPECTED RETURNS

Even though annualized yearly returns on Private Equity over a 5 year period in the US was 7,4 percent Backed success criteria is to offer an average of minimum 17-20 percent ROI to investors an minimum 20-30 percent on digital assets. This is due to the construction of the hybrid fund structure, investing in the combination of private equity, digital assets, real estate.

TRACK RECORD

2019 gave an approximate +145 percent ROI on digital assets, with a 54 percent alpha/outperformance. Primarily from digital assets to FIAT + short positions in the summer before reentry. For Private Equity around +90 percent ROI.

BACKED INVESTOR REVENUE DRIVERS

Dividends from the growth Companies and other placements are distributed to the Backed investors. Profits from growth company exits are distributed back to the Backed investors.

Profits from allocation of free reserves into Bitcoin and other digital assets is distributed to the Backed investors.

Consultancy fees from community helping the growth companies (e.g. user test, influencer marketing etc.) are distributed back to the Backed investors.



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Jurisdiction



Jurisdiction

Backed have chosen Switzerland as legal jurisdiction for the Backed decentralized company. This is due to Switzerland's very positive attitude towards digital assets and its underlying technologies.

Both the Swiss Federal Government as well as the Swiss Financial Market Supervisory Authority FINMA. "FINMA" recognizes the potential that blockchain/distributed ledger technology may offer to the financial services industry as well as various other areas of the economy. Switzerland sees an opportunity to take a global lead in this sector, and officials and authorities are generally open new developments. This is particularly true in the Canton of Zug.

Accounting for some of the first and the largest initial coin offerings ("ICOs"), Switzerland has had success in attracting developers and investors, largely due to its business-friendly regulations and digital expertise. This has led to the creation of the so-called "Crypto Valley" in the Zug-Zurich area, considered to be one of the world's leading blockchain/distributed ledger ecosystems. Cryptocurrencies and ICOs give rise to various fundamental legal questions. In January 2018, the Swiss federal government therefore set up a "blockchain/ICO working group," which aims at analyzing the current legal framework and identifying the need for action by Swiss lawmakers and regulators.

Switzerland lawmakers and regulatory bodies provide a Sandbox in where companies like Backed can test their offerings. Under the sandbox exemption, companies accepting deposits are not considered to be acting in a professional capacity, if: (i) the deposits accepted do not exceed the threshold of CHF; (ii) the deposits accepted are neither invested nor interest-bearing; and (iii) the investors are informed in advanced that the funds are not supervised by FINMA and that the funds are not protected by the Swiss deposit insurance regime (article 6 para 2 50). If the threshold of CHF 1m is exceeded, the company must notify FINMA within 10 days and file for a banking license. The second pillar provides that funds held in customer accounts of asset managers, securities dealers, dealers of precious metals or similar companies, which exclusively serve the purpose of settling customer transactions, do not qualify as deposits and therefore do not trigger bank licensing requirements, provided the funds are not interest-bearing and provided that they are forwarded within a relatively short time. This amended "settlement accounts exemption" now allows for the funds to be processed within up to 60 days. However, FINMA clarified that these exceptions will not apply to cryptocurrency-traders which execute a similar activity as foreign exchange traders by maintaining accounts for their clients for investments in different currencies. Under what circumstances a particular activity is considered to be similar to the activities of "foreign exchange traders" is currently not clear. FINMA to date has not yet offered any public guidance regarding this question. To date, the scope and content of the planned Fin-Tech license, i.e. the third pillar of Swiss Fin-tech regulation, have not yet been defined.

In addition to the official efforts to promote Fin-Tech developments in Switzerland, there are private initiatives with certain blockchain-specific suggestions. For example, the 13 blockchain Task Force² recently published ideas regarding additional regulatory sandboxes. It proposes establishing a specific sandbox for blockchain projects. This sandbox would



provide for lower standards as far as financial market infrastructure, securities dealing and banking activities are concerned. However, anti-money laundering regulations, as well as prospectus requirements set out in the FINSA and currently applicable law, shall continue to apply to the full extent.¹ The Blockchain Task Force furthermore suggests creating a "token map", which would be used to assess whether a particular cryptocurrency/token will likely qualify as a security or not. The map will consist of three elements: regulatory map to refine FINMA token categories and provide guidance as to regulatory requirements; (i) a design map with a focus on the design of the tokens and their legal and tax effects; as well as (iii) an investor map to assess and evaluate the risks of tokens.

OWNERSHIP AND LICENSING REQUIREMENTS

Whether tokens may actually be "owned" or not depends, in particular, on the question whether they qualify as securities or not. Under Swiss law, it is undisputed that securities may be legally owned. With regard to tokens, which do not qualify as securities, i.e., native payment tokens such as Bitcoin, the ownership question is currently unresolved. The majority of Swiss scholars currently are of the view that, due to their lack of tangibility and for other reasons, native payment tokens are not a "thing" (Sachet in the sense of Swiss civil law).²³ Some Swiss scholars have even suggested that native payment tokens such as Bitcoin may be considered data. There are no licenses/authorizations specifically relating to cryptocurrencies in Switzerland and, therefore, a variety of regulatory licenses may be relevant in the area of cryptocurrencies, in particular (but not limited to) the banking license and the securities dealer license (see above, "Sales regulation"). Under Swiss law, only banks are allowed to take deposits from the public on a professional basis (see above, "Promotion and testing). Regulated deposit-taking may become an issue for service providers offering to store customers' native payment tokens, in particular. It is currently not clear under what circumstances such service providers qualify as banks. This depends, in particular, on how the native currency tokens are being stored, and the technical details of how such storage occurs.

One possible way to avoid bank license requirements might be to cumulatively ensure that: ii) each token is allocated to the relevant client all the time, possibly in a client-specific wallet, so that these native currency tokens can be properly segregated in the event of the service provider's insolvency, and (ii) that the service provider does not have the possibility to freely dispose over such native currency tokens without the involvement of the relevant client. However, this view is untested and technical details of such a set-up would need to be discussed with FINMA prior to engaging in any such activities, which might constitute regulated deposit-taking under Swiss banking regulation.

With regard to further licensing requirements, it must be kept in mind that Switzerland will implement the new Financial Institutions Act along with the FINSA in 2020. These new acts will set forth a new licensing requirement for individual asset managers, and a registration requirement for client advisors. Such registration will be subject to certain requirements such as proof of proper education, training and professional experience.



MINING

Switzerland has no laws or regulations which are tailor-made to the phenomenon of cryptocurrencies or mining of cryptocurrencies. Hence, mining of cryptocurrencies is permitted and the activity is not subject to particular laws and regulations.

Since the mere use of cryptocurrencies is not considered as financial intermediation (see above. "Money transmission laws and anti-money laundering requirements"), mining does not constitute financial intermediation, as far as it is for personal use.



BORDER RESTRICTIONS

In Switzerland there are no particular border restrictions or declaration requirements, which would apply to currencies.

REPORTING REQUIREMENTS

In Switzerland making payments with crypto currencies is not a regulated activity and there are no reporting requirements to be met when such payments are made. In Switzerland, there are no particular estate planning or testamentary succession aspects concerning cryptocurrencies.

Under Swiss law, law acquire the inheritance as a whole upon death of the testator by operation of law. Therefore, all possessions with an inheritable value are transferred to the heirs by universal succession. Cryptocurrencies such as Real Estate are considered as having an inheritable value. They are part of the inheritance and therefore shall be transferable. Bitcoins that are recorded on a blockchain are attached to the latter. It is recommended to determine the heir of the cryptocurrency assets, thereby taking into account the value of these assets for calculating the recipient's share. Problems arise when the heir does not possess the necessary elements to obtain the cryptocurrencies directly. The heir has to claim the accession data from the online provider, which might prove difficult in reality. Conclusively, Backed have chosen crypto friendly Switzerland for its operations, with headquarters in Zug.

LEGAL DOCUMENTS / DATA ROOM

The preparation and negotiation of the key documents for the Backed offering is essential when launching the security token offering (STO) for Backed. The sale of BACD tokens to investors constitutes an offering of securities that must be registered with the Switzerland Securities and Exchange Commission and state authorities and meet an exemption from registration under federal or state securities laws. Therefore, counsel advising Backed should have a keen understanding of the relevant legal considerations, including compliance with securities laws, when negotiating and drafting the key documents composing BACD tokens. In the following we will go through these key documents, including the private placement memorandum (PPM), the subscription agreement, the investor questionnaire, and the formation documents for the Backed fund and its general managers and portfolio managers, as well as service agreement providers.

SMART CONTRACTS OVERVIEW

PPM template.

Fund's strategy

Biographies of the business team

Information on the team's prior track record

Legal formation documents (such as the limited partnership agreement etc.)

Subscription documents.

Service agreement, which the counsel to the PE fund and sponsor will review and negotiate, as necessary, or may expect fund counsel to serve up its own form of agreement.

Extensive due diligence

Legal due diligence

Shareholder agreements



The Backed Token

TOKEN ECONOMICS

Before launch: Main investor-group: 200 mill BACKED tokens (20 percent) for 5 mill euros. BACKED Tokens represents before launch BACKED current portfolio of companies (TENDR, Circle, Poshtel, IceVille, Zillios.io, WeWon, M2, SWEAT, YOUANDX – before massive onboarding of companies in portfolio after launch)



PRIVATE TOKEN SALE – ESTIMATED DEMAND 10 MILL

The BACKED (BACD) token is a security token (with utility functionality for growth companies to use token for payments backed by private equity in performing growth companies). BACKED invests in a large portfolio of potential unicorns against providing growth companies tokens, to be used in their operations.

The BACKED community of funds, professional investors backs the project by investing in BACKED Tokens and hence also in the growth companies.

CAP

1.000.000.000 tokens.

12-MONTH VESTING

Applicable for founders and advisors

FAIR DISTRIBUTION

1 billion tokens in total supply. Preparing for presale: 5 mill Euros. Presale: 10 mill Euros. Global Launch: 100 mill. Euros.

TOKEN DISTRIBUTION:

Founders & Team	20 percent
Early Investors	20 percent
Private Sale	10 percent
Public Token sale	35 percent
Sharedrop™	10 percent
Advisors	5 percent

UTILITY

BACD in its nature is a security like token, representing private equity ownership, but can at any time be used as utility token for payments and will be tradeable. The BACD voting tokens are without financial value and only represent influential/political value, and its sole purpose is to be used in voting scenarios. To Backed voting tokens comes Backed voting system.

SHAREDROP™

Backed introduces ShareDrop™ philanthropy concept. Backed is ShareDropping™ 20 percent of total token holdings to users, who subscribe to Backed mailing list, download Backed wallets / signs up after elsewhere specified fairness algorithms.



Backed™

Corporate governance

As Blockchains represent a novel application of cryptography and information technology to age-old problems they may lead to far-reaching changes in corporate governance. In our quest to create a governed way of structuring the governance in this new eco-system a lot of rules must be applied and a lot of things be taken into consideration. Many major players in the financial industry have begun to invest in this new technology, and stock exchanges have proposed using blockchains as a new method for trading corporate equities and tracking their ownership. We now seek to list the potential implications of these changes for managers, institutional investors, small shareholders, auditors, and other parties involved in corporate governance for the Backed corporate governance and self-regulating mechanisms to be designed - taking these considerations into perspective. The lower - or non-existing cost, greater liquidity, more accurate record-keeping, and transparency of ownership offered by the Backed system may significantly upend the balance of power among these players.

The Backed project lists a number of advantages for the eco-system. Firstly, Backed allows for quicker, cheaper acquisitions and management of equity, but with far less if any secrecy than under the current off chain systems. Liquidation of positions becomes more transparent and easier, which might make the "exit" channel of corporate governance increasingly attractive at the expense of old systems. Managerial ownership will become much more transparent, with insider buying and selling detected by the market in real time, and manipulations such as the backdating of stock compensation becoming much more difficult, if not impossible, since participants in the Backed blockchain are unable to "rewrite history" by changing their entries retroactively.

Corporate voting will become accurate and strategies such as "empty voting" that are designed to separate voting rights from other aspects of share ownership will become more difficult if not impossible to execute secretly. Any and all of these changes will dramatically affect the balance of power between directors, managers, and shareholders, thus giving a more equalized investor environment.

The maintenance and upgrading of blockchains themselves raises interesting governance problems. Governance of a blockchain amounts to having authority to update its code, which might be done either for technical reasons or to change critical constraints or assumptions (such as the rate at which new tokens or shares are issued). As implemented for bitcoin and other digital currencies, blockchains operate on a public, open, and decentralized basis, with all participants in a network (such as all owners of bitcoins) having the opportunity to update them in real time. Proposed changes to the Backed blockchain code occur via a passive process of adoption or rejection by holders of more than 50% of the network's voting power, and in principle a change in the code can be initiated by anyone.

This decentralization of authority over a blockchain might leave it vulnerable to sabotage and must be handled. Overcoming these vulnerabilities are important priorities for Backed. The alternative of a permissioned blockchain, updated only by authorized participants, appears attractive for security reasons, but it would lack some of the appealing features of an open blockchain. The most extreme alternative, a private blockchain controlled by a

central gatekeeper authority, would concentrate operational risk in a single point of failure and might charge monopolist rents to network users or fail to treat them evenhandedly. Making such powerful third parties obsolete and disintermediating financial transactions was the central goal of Nakamoto's (2008) proposal for a peer-to-peer electronic cash system. At Backed we suggest a private, controlled blockchain, but with community voting powers to affect direction, features, etc.

GOVERNANCE – IN A DECENTRALIZED STRUCTURE

In effect, the Backed organization itself will also be one of virtual, decentralized nature. Websites, domain names etc. will be decentralized, company registered in Switzerland, but aim is to code as much logic into the framework and smart contracts as possible, so physical presence will be of no or little relevance. As the growth companies and crypto community will function as shareholders / token holders, dynamic, voting regulated smart contracts are defined and all parts of the "company's" decision making will be driven by same voting mechanisms, from change of code to change of strategies, allocation of funds, internal reward programs etc.

Naturally, as above narrative is simplified, endless more elements would have to be taken into consideration in the coding of the smart contracts, such as but not limited to; legal frameworks, ethical frameworks, exceptions, corporate laws and DNAs, etc.

As the Backed project from its birth is introduced as a security, thus taking all the laws of jurisdiction into consideration, the project in itself is compliant, and with all compliances and rules of conduct in place (KYC, Know Your Customer, Origin of Funds check, fraud detection tools etc.)

GREATER TRANSPARENCY OF OWNERSHIP

When used in an open form with free entry and exit, blockchains generate an archive of transactions known as distributed ledgers, because a copy of each block of transactions is distributed or made visible to all members of the network. For a company with shares listed on a public blockchain, all shareholders and other interested parties would be able to view the arrangement of ownership at any time and identify changes instantly as they occurred.

Not all shareholders would be attracted to this arrangement; Some investors might want to conceal their trades for exactly the same reasons that small shareholders or fund managers might wish to observe them. Backed have balanced these considerations and concluded that Backed shares would be more lucrative on a private, permissioned blockchain, where the visibility of transactions could be restricted to a set of member firms or trusted gatekeepers and investors would enjoy more anonymity.

Even under the private or permissioned blockchain models, the real-time archive of transactions would create much more current and complete information about Backed's ownership than is available in stock markets today, and it would be visible to at least some observers. If the ledger of transactions were visible only to the blockchain sponsor and to the government, the impact on investors' trading strategies and insiders' incentives could still be profound as discussed below.

Ironically, issuing companies might find public blockchains attractive as a type of takeover defense, because their transparent structure undercuts the secrecy prized by shareholder activists and corporate raiders when building hostile positions and instead promotes passive shareholder behavior.

One would expect the demand for identification of ownership on a blockchain to lead to a growth in specialist “de-anonymizing” research firms that already exist, earning subscriber fees by ascertaining the ownership of individual digital wallet addresses. This process amounts to a modernization of the de-coding methods that Wall Street participants have used for decades if not centuries, attempting to infer the presence of certain buyers or sellers in the market by observing details of the size, timing, and sequence of their trades. On the Bitcoin blockchain, maintaining anonymity has at times proven difficult. Law enforcement officials have successfully identified and prosecuted money launderers, drug dealers, operators of virtual casinos and Ponzi schemes, and other miscreants. When Backed issues equity on the public blockchain resembling other security tokens, the situation would most likely be similar. Even without advanced forensics, one could rather easily match digital wallets with individual stock traders by searching the raw data for a particular transaction pattern that is known to have occurred, such as a company’s award to a manager of a certain quantity of restricted shares on a particular date. Potentially a share owner could stay a step ahead by using a different digital wallet for each transaction or breaking transactions into small pieces using several wallets at once. To defeat these strategies, regulators might require corporate insiders to disclose their digital wallet identifications, or public keys, under penalty of law. This would likely be part of an evolution of the disclosure regulations that most countries apply to managers and significant outside shareholders, who typically must identify themselves after passing certain ownership thresholds.

VOTING IN CORPORATE ELECTIONS

Blockchain technology has been proposed as a platform for voting in all types of elections and it appears to be a viable substitute for the dusty corporate proxy voting system that has endured for hundreds of years.

Blockchain technology will allow votes to be instantly and securely recorded, streamlining a labor-intensive proxy voting process.

At Backed - a voting system is suggested where voting coins are used for voting processes. Investors will on top of security tokens receive voting coins and voting wallets and elections will be held on larger decisions, where you vote simply by transferring voting tokens to the “In favor” wallets or “rejected” wallets.

REAL TIME ACCOUNTING ON THE BACKED BLOCKCHAIN

Real-time accounting on the blockchain gives investors instant view of all transactions and comfort.

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Compliance



Compliance

Governance, risk management and compliance, GRC

In the design of the Backed blockchain and smart contracts, compliance has been a central element. Focus has been on:

Issurance quality

Enhanced due diligence on portfolio companies, investors entering the Backed Blockchain

Investor representation and undertakings

Documentation

Trial Issurance

Obtaining advise from industry leading experts

BACKED ISSUANCE POLICIES

Issuer Onboarding for BACD private equity tokens do not differ much from traditional insurance policies for traditional securities. Standard KYC rules and Anti-money-laundry (AML) rules still apply. Risk is not dramatically increased just because new technologies are used. Moreover, Backed looks at:

Source of wealth of funds (Origin of funds)

The reputation of portfolio companies

What assets backs the tokens

Involvement of any politically exposed persons

Perception of potential risk associated with criminal activities

Existence and effectiveness of AML and other controls put in place

RISK FACTORS

Investors should be extremely careful entering digital asset investments in general. All investors are urged to do their own due diligence.

Backed's focus has been on eliminating risks in following due diligence check list:

1. Assess security risks of blockchain protocol underlying the Backed tokenized securities.
2. Understand inherent price volatility in the crypto space in general as well as the Backed securities.
3. Assess any vulnerabilities of open-source software that underlies Backed's technology, including risks of data breaches and theft of assets.
4. Keep abreast of ongoing regulatory developments concerning tokenized securities, which may vary significantly among jurisdictions.

5. Pressure test the Backed business model and growth strategy, and assess whether such strategy would be compatible with existing and/or upcoming regulatory requirements. (Proof of concept has been carried out with 20 portfolio companies with success)
6. Assess whether tokens traded on a platform need to be held by a custodian or digital wallet held by a custodian during the trading process. If so, assess approval requirements for issuer's broker-dealer or equivalent license due to the issuer's custodial relationship.
7. Assess Backed's ability to develop competitive advantages with respect to its products and services, and whether Backed has sufficient resources to develop its products and services and succeed in developing and maintaining market share.
8. Assess regulatory exposure of Backed, and whether regulatory changes will adversely impact Backed's compliance, business and technology resources and give rise to additional operational costs.
9. Assess risks of illegal activity occurring with Backed's products/services or over the platforms and understand the effect on Backed's business.
10. Assess whether Backed has sufficient cash flow from operating activities and whether it will be able to maintain adequate capital to meet regulatory capital requirements and meet the needs of its business.
11. Understand regulatory capital requirements with respect to the exchange authorities in jurisdictions where Backed operates, and assess whether such regulations would require maintenance of capital reserves.
12. Assess how IT systems and capacity constraints would affect business operations and growth of Backed.
13. Assess cybersecurity risks applicable to business operations, and the extent to which ongoing compliance with cybersecurity requirements may result in additional costs.
14. Assess the risks that misuse or misappropriation of encrypted personal data may give rise to breaches of privacy laws, fines and sanctions, and risks of security breaches with respect to the token holders' personal identity information base.
15. Assess vulnerability of Backed's operational infrastructure or security system to security breaches or malfeasance of employees.

16. Assess compliance, risk management and operational risks applicable to Backed, including its ability to attract and retain qualified compliance and other risk management personnel.



REGULATORY COMPLIANCE

A framework has been presented for embracing strict AML and GDPR protocols, thereby mitigating money laundry risk, tax manipulation and providing a framework for governments to review transactions and client registers while still keeping data secure. The framework design has been made following especially the rules of Switzerland FIMNA regulations and USA SEC regulations. Used methodology has been to read and interpret the regulations themselves, together with going through various settlement case documents and coming up with a bullet proof compliance framework that puts ALL aspects into consideration. But Backed goes even further and have aligned with world leading fraud detection companies to ensure AI driven fraud detection in all processes. Lastly, initial API is being prepared for Interpol and other government agencies, so they upon request, at any point, can scan the Backed blockchain and its ecosystem for any suspicious activity. For full regulation description, see section: Regulation.

KYC

Backed is a transparent and compliant blockchain and is structured in a way, that ensures regulatory compliance towards government bodies. KYC procedures and documentation is managed according to the government standards and are provided with full insight for tax and AML purposes, making the Backed concept feasible from a government compliance regulatory perspective and for institutional investor perspective.

THE COMPLIANCE SETUP GOING FORWARD

The compliance experts will support Backed with compliance and co-sourcing going forward. The support will include an engagement revolving around establishment of a general GRC structure and the creation of business processes and relevant policies including, but not limited to, the following:

- Rules of procedure for the Board of Directors
- Executive order of business
- KYC procedures & control environment
- Money Laundering Policy and Guidelines
- Money Laundering Risk Assessment
- Policy for overall risk management
- Market and credit risk
- Operational risk policy
- IT security
- IT contingency plan
- ITGC
- Policy and guidelines for insurance risks (liability related to hacking risks etc.)
- Policy and guidelines for new services and products
- Liquidity risk
- Execution Policy

Thus, the overall compliance setup as well the general governance structure in the Backed community, the internal controls and the reporting and whistleblower framework is established.



In addition, the team is supporting Backed in terms of tailor-made compliance support solutions through effective compliance methodologies, thereby ensuring continuity, accessibility and quality.

ANNUAL COMPLIANCE CYCLE

	Q1	Q2	Q3	Q4
Randomized check	<ul style="list-style-type: none"> Control of Insider dealing and personal trades-securities trade law. 	<ul style="list-style-type: none"> Review of outsourced areas of activity 	<ul style="list-style-type: none"> Checking IT set-up Control of investor protection Control of the remuneration policy. 	<ul style="list-style-type: none"> Checking customer (KYC material)
Annual checks of policies and procedures	<ul style="list-style-type: none"> Remuneration Risk management Insurance Intercompany transactions 	<ul style="list-style-type: none"> Liquidity risk Market risk Credit risk Compliance Disclosure 	<ul style="list-style-type: none"> Investment advice and portfolio management IT Security Personal transactions 	<ul style="list-style-type: none"> Rules for handling anti-laundering Operational risks Capital Adequacy and requirements
Reporting obligations	<ul style="list-style-type: none"> Annual Compliance Report New annual year for compliance 	<ul style="list-style-type: none"> Quarterly Compliance Report 	<ul style="list-style-type: none"> Quarterly Compliance Report 	<ul style="list-style-type: none"> Quarterly Compliance Report
Miscellaneous	<ul style="list-style-type: none"> Ad hoc 	<ul style="list-style-type: none"> Ad hoc training of new employees (Whistleblower, AML, compliance ethics etc..) 	<ul style="list-style-type: none"> Ad hoc 	<ul style="list-style-type: none"> Ad hoc AML training



Regulation

From previous sections, we have concluded, that the BACD token, in its initial phases before becoming a true decentralized commodity / store of value like Bitcoin, is most likely to be defined as a “security token” or “non-security token” and thus should be treated as a security and thus comply with government bodies’ registration and regulation policies, prospectus laws and other instruments for protection of all investor types, but especially main street / retail investors.

BACD token is:

1. an investment of money

but NOT

2. In a common enterprise – as Backed is a decentralized community

and NOT

2. With an expectation of profits predominantly from the efforts of others – as Backed seeks to create value not from investors but by production in the growth companies, thus adding value to the investors.

and NOT

At any time paying old investors with new investors money, as this will be programmable and physical impossible due to the total design of Backed architecture.

Numerous factors in initial phases of the Backed project ensures the Backed project from NOT triggering registration and security violations. Among the most important ones are:

1. Pricing of BACD token at only 1 Euro, making it a non-security

2. Backeds focus on permissioned, private blockchain

3. Backeds comply with FINRA suggestion and SEC best practices

4. Backeds investor protection focus

5. Self-regulation on the blockchain eliminating all scalping and pump/dump attempts

6. “Anti-Whale policies” – ensuring no investor can hold an unporportionally too large amount of token and influence the value of token

7. Backed’s offerings are legal and compliant

8. Backed Security token offering aims at raising initial funds for development of a real product with real, in detail described, roadmap



9. Backed is building a decentralized organization with a clear exit strategy to community
10. Backed comply with international, diversified rules of regulation
11. Backed have implemented governance rules, committees, experienced management to comply with regulations and give investors comfort and protection
12. Backed smart contracts ensures smart trading and eliminates manipulation
13. Backed complies with international AML and KYC procedures
14. Backed eliminates risk of hacking by using world's most secure Custody solutions
15. Backed have taken into consideration different tax rules and given regulators access to all data and investors and offer a transparent solution, so that regulators can conduct due diligence and effectively pursue bad actors and recover funds in worst case scenarios.
16. Backed have implemented discloses and investor warnings and showed professional due diligence, valuation methods
17. Backed processes comply with regulator's best practice suggestions
18. Backed offering is less volatile than normal crypto currencies, due to its backing by real assets
19. Backed ticket price on minimum 100.000 euros eliminates the involvement of main streets investors and protect them from registering and entering the Backed platform and community
20. Backed is in close dialogue with FINRA, SECs from various governments and have interacted with these organs
21. Compliance with the Security Exchange Act of 1933, 1934, applicable registrations and other SEC requirements
22. Uses newest, scientific and cryptographically unbreakable methods for finality of settlements
23. Are trades are publicly verified through open ledger technology and regulators are offered access to investor names and amounts upon request
24. BACD tokens are not a speculative token, but a token representing real value in real companies and digital assets and not dependent upon the speculation of others to increase its value.
25. All investors investing in the chain are protected by each other and can make veto and vote on any investment before these investments are carried out. This investor self-protection design takes Investor protection responsibility to highest level and mat very well set new industry standards for investor protection on the blockchain

26. Backed have provided education and questionnaires, risk assessment and warnings for all investors entering the Backed platform and carefully answered all investor questions and provided data room with all documentation, so investors can make own assessments regarding the investment in Backed
27. Backed engages with SEC Staff, FINRA and other government bodies to continue to comply with regulations
28. Investors have access to Backed Board, Advisory board, Committees and community and get a clear picture of who is behind the Backed project. All members are carefully selected with highest level of integrity
29. Capital flows have carefully been described. Investor Transparency on all fees, structures, development costs and operational costs have been provided
30. Risks have been carefully stated and assessed
31. Budgets are presented and policies put in place to ensuring investors from variation in budgets
32. Investor rights have been carefully stated, ensuring voting rights, platform rights, legal rights and exit risk and potential
33. All transactions are registered and investors are given access to all transactions and instant overview of performance of investments
34. Market analysis, documentation, research material is offered to investors to document real use case for Backed and to ensure materials are not misleading
35. Backed uses Consensus based frameworks to eliminate informational asymmetries between Backed, Backed community, and investors as a whole
36. Suggested proof-of-stake efforts eliminates risk for 3. Party dependencies
37. Backed framework suggest a reasonable expectation of profits, both from capital appreciation and ROIs from the growth companies and digital assets
38. Investors are offered the opportunity to exit on their investments on secondary markets
39. Backed will not use celebrities and not promote the offering to main street investors through celebrities
40. Ensuring and guaranteeing investors that suggested products and platforms will actually be built and that payments follow delivery of source code etc
41. That all important information is shared with investors
42. Instantly after investment, Investors are granted access to the Backed services and platforms and can use the platforms for its intended and promoted functionality on the network

43. Backeds structure and design is implemented to meet the needs of its users, rather than to feed speculation as to its value or development of its network

44. The Backed platform and BACD token is marketed in a manner that emphasizes the functionality, and not the potential for the increase in market value

45. Only Backed investors can make transfers of the BACD token on secondary markets not users outside the platform

Conclusion:

Backeds token design takes into consideration all the different requirements of a security token offering, but does not trigger nor violate regulator's security laws.

Risk

A number of risk factors can have a negative impact on BACKD token value and Backed operations. It is therefore of great importance for all investors looking into investing in Backed to consider the relevant risks alongside the growth opportunities for the Decentralized Company.

Other risks are associated with the tokens offered for sale through this White Paper. Risk factors are described below in no particular order and without claiming to be exhaustive. The risk factors are classified between low, medium and high risk of happening, from Backeds own evaluation. Evaluation of risk may have another result, if carried out by 3rd party. For natural reasons, it is not possible to assess all risk factors without a combined evaluation of other information in the White Paper, along with a general assessment. All risk factors mentioned, if they occur, have at least some intangible impact on Backed future value.

RISKS RELATED TO BACKED'S OPERATIONS

The digital asset market is a new market, which has not previously been exploited at a large scale, and therefore lack sufficient research into its profitability. Backed has made estimations based on industry research and there is a risk that the Company's estimations are not estimated correctly, which may cause the Company's revenue to be wholly or partly absent. There is also a risk that the political climate changes, which may cause Backed to be unable to sell its services and investment products on the market, which may cause the Company's future revenue to be wholly or partly absent. Probability of risk happening: small

A RECENTLY DEVELOPED COMPANY BACKED

was established in 2019 and has since then conducted start-up of the operation. The Company is intended to fundraise and allocate investor capital into asset classes like digital assets and private equity.

There is a risk that the Company will not be able to launch any new products or launch products to the extent that the Company intends. It is not possible to anticipate BACKEDs

penetration potential in advance, and there is a risk that revenue will be fully or partially lost. Backed will also continue to develop and further develop on the tech platform and underlying blockchain within its business area. It is not possible to predict in advance exact time and cost aspects for product awareness and brand development, even though Backed have very detailed product roadmaps, 3rd party offers, with very detailed feature descriptions, tech stack descriptions, mockups, minimum viable product designs etc. and follow branch specific templates for controlling IT projects. This entails a risk that a planned development will be costlier than planned and vary from estimated budgets and current offers. There is moreover a risk that the above will have negative consequences for the Company's operations and earnings. If the development of a new product or a new service takes longer than expected, there is a risk that the same will lead to increased development costs and thereby a lower operating profit for the Company.

Probability of risk happening: medium



PERMISSION FROM FEDERAL AGENCIES

In order to be able to sell and market financial products, the Company must receive an authorization to do so by government bodies in the countries where Backed operates. In the case that the Company, directly or indirectly through its partners, does not receive necessary permits or licenses from the authorities, there is a risk that the Company's ability to generate revenue is affected. There is also a risk that Backeds proposed plans are affected. The current regulations could be subject to changes, and there is risk that this affects the Company's ability to receive the authorization to sell financial products. The current legislation and interpretations surrounding fintech and digital securities may change. There is a risk that this will affect the Company's ability to meet regulatory requirements. Therefore, there is a risk that BACKED, directly or through partners and subcontractors will not receive the necessary permits. In case the Company does not receive the necessary permits from the governments in where Backed operates there is a risk that the Company's earnings and financial position will be adversely affected. Backed have successfully launch government regulated ICO on Gibraltar for portfolio company zillios.io, and apply with all regulations: low

FINANCING AND CAPITAL NEED

Backed future plans entail significant costs for the Company. A delay in market breakthroughs in new markets may result in weaker revenue for Backed. There is a risk that a delay in permits and brand and developments means that cash flow will be generated later than planned. If Backed is not supplied at least approx. 5 mill Euros in the pre-sale and all alternative funding opportunities fail, there is a risk that the Company will have to revise the development plans significantly, which may delay the development of the Company's operations. In the long run, there is a risk that, if all financing opportunities fail, the Company may become unable to carry out its strategies. Backed may need to acquire additional capital in the future. There is a risk that additional capital cannot be acquired. There is also a risk that development may force the Company to carry out operations at a lower rate than desired, which may lead to late or non-commercialization and revenue. Probability of risk happening: low

KEY STAFF AND EMPLOYEES ODI

Backed is dependent on key persons to conduct its business and maintain permits. At the date of issue of the White Paper, the Company's key employees consist of Board Members and high skilled staff and investment committee. There is a risk that a loss of one or more key employees would have adverse consequences for the Company's business operations and its financial results. There is a risk that Backed needs to recruit staff to replace key personnel, which can be a costly process, both in terms of time and money. There is a risk that the Company will incur increased expenses as a result. There is also a risk that the Company cannot replace staff. The risk of unauthorized disclosure of information is also present, which would generate a risk that competitors may receive information about and take advantage of the know-how developed by the Company. There is a risk that Backed competitors, using such dissemination of information, will further develop their products and that the Company thereby faces increased competition, which may adversely affect the Company's operations, financial position and results. Probability of risk happening: medium

COMPETITORS



Some of the Company's competitors and potential future competitors are multinational companies with large financial resources. There is a risk that widespread investment and product development from one or more competitors will result in worsening sales or worsening revenue opportunities for Backed, as the competitor may develop products that are more competitive than the products that Backed will provide. Furthermore, companies with global operations currently working in the banking sector may decide to establish businesses that copies Backed unique business and patent protected concept. There is a risk that increased competition will lead to negative sales and profit effects for the Company in the event that competitors develop products with better functioning and/or better quality.

Probability of risk happening: medium

BUSINESS CYCLES AND ECONOMIC TRENDS

There is a risk that external factors such as supply and demand, economic booms and recessions, inflation and changes in interest rates will have an impact on operating costs and selling prices. (Even though in Backed's case that will have a positive impact on operation and results). There is a risk that the Company's costs and future revenues will be adversely affected by these factors. Probability of risk happening: medium

FOREIGN EXCHANGE RISK

There is a risk that part of the sales revenue will flow into international currency, including the euro. Purchasing of products is made in foreign currency. There is a risk that currency exchange rates will be changed significantly and there is a risk that the Company's costs and future revenues are adversely affected by changes in exchange rates.

Probability of risk happening: medium

POLITICAL RISK

Backed intends to operate in a global market with partners, suppliers and customers in a large number of countries. There is a risk that differences in legal systems and changes in legislation, as well as other relevant regulations related to taxation, duties and fees, as well as other terms that apply to the Company's operations on the international market, adversely affect the Company. Rules, regulations and legal principles may differ regarding substantive law as well as court proceedings and lawsuits. This also leads to the fact that the Company's ability to exercise or enforce its rights and obligations may differ between countries and there is a risk that any disputes or legal proceedings will become expensive, time-consuming and uncertain. Due to the above-mentioned factors, there is a risk that the Company's operations, financial position and earnings in the future will be adversely affected. There is also a risk that changes in laws, taxes, duties, exchange rates and other conditions for foreign companies will adversely affect the Company. The Company is also affected by political and economic uncertainties in these countries. There is a risk that the Company will be adversely affected by possible domestic policy decisions. There is a risk that the above-mentioned factors can adversely affect the Company's operations, financial position and results in the future. Since the Company has a subsidiary in Switzerland, there is a risk that the relationship between the European Union and Switzerland regarding trade will affect the Company negatively and affect its possibility to do business in Switzerland. Probability of risk happening: medium

INSURANCE RISK



Backed has a corporate insurance which includes property and property damage, theft of products, legal protection and general responsibility. There is a risk that Backed will suffer damages or incur damages that are fully or partially not covered by the insurance, which may adversely affect the Company's operations, results and financial position. This poses the risk that Backed in such a scenario will have to pay damages or repairs from its own funds, which results in a deteriorating financial position for the Company. Probability of risk happening: medium

TAX-RELATED RISKS

Backed's operations are conducted in accordance with the Company's perception and interpretation of relevant tax legislation, tax treaties and other applicable rules. There is a risk that the Company's interpretation of applicable laws, regulations or relevant authorities' interpretation of these or of administrative practice is incorrect or that such rules are changed to the Company's disadvantage. There is a risk that the Company will be subject to tax auditing, the Tax Agency's decision or amended legislation, which may cause the Company's tax situation to deteriorate. There is a risk that this will adversely affect the Company's financial position.

Probability of risk happening: medium

MARKET GROWTH, ACQUISITIONS, ETC.

Backed plans to expand over the coming years, firstly by targeting the European capital market. There is a risk that establishments will be delayed, resulting in loss of income. Rapid growth may involve the Company making acquisitions of other companies. There is a risk that lack of synergies and less successful integration will affect the Company's operations and results in a negative way. There is also a risk that rapid growth will cause problems at the organizational level. There are also risks in recruiting the right staff, and there may be difficulties in successfully integrating new staff into the organization. Probability of risk happening: medium

DISPUTES

There is a risk that Backed becomes involved in disputes within the framework of normal business and may be subject to claims regarding contractual matters, product liability and alleged errors in deliveries of the Company's products. There is a risk that such disputes and claims will be time consuming, disruptive to normal operations and lead to significant costs. It is not possible to predict the outcome of complex disputes. Thus, disputes can have a negative impact on the Company's operations, profit and financial position. Probability of risk happening: medium



ETHICAL RISK

Backed conducts its business in a new industry. There is a risk that the Company's business and/or the industry in which Backed operates may be perceived as being controversial. As a result, there is a risk of negative publicity or announcements, justified or not, which may adversely affect the Company's business financially. Probability of risk happening: medium

SHARED OFFICE SPACES

The Company leases shared office space in Copenhagen, London, Gibraltar and soon Switzerland. A shared office space implies a higher risk from an EU Market Abuse Regulations perspective and there is a risk that the Company's business activities is affected as a result of the shared office space. Probability of risk happening: low

PSYCHOLOGICAL FACTORS

There is a risk that the securities market is influenced by psychological factors such as trends, rumors and reactions to news that are not directly linked to the marketplace, etc. There is a risk that the Company's tokenized shares will be affected in the same way as all other securities that are traded on different lists. There is a risk that psychological factors and its subsequent effects on price developments will adversely affect the market price of the Company's shares.

Probability of risk happening: medium



Conclusion

The technological movement of our time is disrupting everything, from products and services, to asset classes. Backeds approach for tokenizing private equity and raising substantial funds to fund growth companies and at the same time securing investors through a change in their investment strategies by allocating percentages of their portfolios from noted stocks into digital assets and private equity, are just one of infinite ways the Fintech industry as a whole can change the world. We at Backed have shown a technological solution based upon the use of many inventions, all evolved from the Bitcoin inventions. We have suggested a blockchain scheme from leading blockchain unicorn CONCORDIUM FOUNDATION, where private equity is tokenized and BACD token used as store of value token to represent underlying values and bridge between crypto industry and private equity and digital asset market. This, in a perfect ecosystem, where Backed Exchange serves as exchange between the FIAT eco-system and the digital securities eco-system, where Backed wallets and custody solutions serve as a secure and compliant way of storing investors' tokens and where monthly fiat payments from profits are distributed back on credit cards to investors and at the same time digital asset holdings correspondent to the private equity in the portfolio companies increase in value, over time, making the Backed token a store of value asset class. We have shown, how the BACD token value and community (theoretically) will grow over time and shown a proper investment case for investors very large returns on investments due to a unique, diversified investment strategy. We have put suggested programmable policies in place to comply with regulations, but at the same time keeping the privacy and corporate privacy of the people and companies and protecting the Backed eco-system from hacker attacks and bad actors.

Moreover, we have introduced fairness models based upon game theory best practices. We have shown, that corporate governance and voting procedures through blockchain are reliable steps moving forward for giving investors comfort and activating the Backed community in the decision making and shown a bullet proof compliance model on blockchain level as well as operational level.

We have provided solid proof that all indicators point at large corrections on the stock market and provided safe haven investments for investors at a global scale into private equity and digital assets in the most compliant and regulated way.

TIME-LINE:

White Paper completion: q1 2021

Prepare for presale: q2 2021

Pre-Sale: q3 2021

Global Launch: q1 2022



Backed™

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APPENDIX 1

Yellow Paper



APPENDIX 1

YELLOW PAPER (V 0.01)

RATIONALE

In the design of the technical foundation of the Backed token, main net, blocks, protocols, exchange, wallets etc. Backed will use a mashed concept of the greatest innovations and existing solutions within the crypto / fin-tech industry and platforms, managed by a large number of developers, all contributing to a continuous elimination of obstacles and known limitations to existing crypto currencies in terms of speed, functionality, etc.

Backed will focus efforts mainly on usability, functionality, simplicity.

We ask ourselves, what mashes of existing crypto protocols, proof-of-stake, cryptography, wallet, peer-to-peer concepts are most likely to evolve and survive on a long term basis? What development ecosystems are the fittest? What gives most trust and what is most secure to build on top of?

Furthermore, we ask ourselves, can we use the principles from the crypto world to build a decentralized cloud encrypted system? What are the newest innovations in the cryptography space and can these innovations be applied to the creation of the Backed token and main net? How do we overcome the current dilemmas and limitations on the Bitcoin and Ethereum concepts? What blockchain do we chose to meet the Backed Equilibrium?

After thorough due diligence we have concluded that the inventions and offerings made by CONCORDIUM FOUNDATION fully complies with the Backed demand specification.

CONCORDIUM BLOCKCHAIN

The company is second to none in terms of technical expertise, innovation and competition.

THE CONCORDIUM OFFERING

Concordium, now on test net, soon to be beta-launched, is currently the most compliant and smartly designed cryptocurrency and blockchain network existing. A new standard of an accessible, secure and trusted way of keeping track of any sort of transaction and conducting digital asset operation.

It is a new introduced way of ensuring that agreements made are registered and indisputable, that digital assets were sent and received, that a promise of a future service was given or that a transaction between two or more parties has actually taken place.



The proof-of-stake-based blockchain network is designed to deliver a trustworthy and solid foundation for businesses. It features a protocol-layer ID/KYC mechanism that ensures every user on the network is identified and that every transaction involves provenance tracking. These features do not prevent the provision of privacy but they provide an environment that is compliant to regulators, to public institutions, to financial institutions and for business. Thus, Concordium solves a series of historic dilemmas that Ethereum, Bitcoin and other blockchains did not manage to solve.

Through own smart contract language, Concordium furthermore suggest the smartest way of coding and maintaining smart contracts.

The Concordium blockchain is tailored for real business use. Fully regulatory and auditory compliant but without compromising the businesses' need for privacy and without compromising the GDPR regulations. All in all, the perfect answer to the Backed equilibrium of creating an eco-system, "where all parties win".

For the coding of smart contracts and the compliance and corporate governance part of the total Backed Ecosystem (Backed Exchange, Backed desktop and mobile Wallets, Backed Proff of Stake App and main nets) for the identity and transactions and public ledgers, CONCORDIUM_is also second to none as platform, as Concordium has developed world's most compliant and future proof blockchain. Backed by one of the world's strongest and most scientific, technical teams. By choosing Concordium as platform, Backed ensures the highest standard of certification, highest mathematical proof of formal expectation and for the identity part, as explained briefly above, highest level of formal verification is secured.

IDENTITY

For Identification, Concordium has developed an ID layer, that introduces entirely new concepts of identifying and validating new users and at the same time keeping user privacy and comply with regulators' demand for fraud and tax misuse monitoring. Identity providers can verify new users, validate that entered data is correct and estimate the credibility of the users. User will, once signed up, receive an Account Holder Certificate, in theory a digital passport, that can be digitally verified.

Concordium also provides the ability to open one or several accounts on the Concordium blockchain. Account Holder Certificate is used to open the account, meaning that without approval, you cannot enter the Concordium blockchain. Once successfully onboarded, you can pay and transfer digital assets. Only relevant information is available, other parts of the data is anonymized to ensure highest level of privacy.

As default, your data and actual identity is encrypted. But under certain circumstances, authorities can, given minimum 2 government bodies are demanding insight, be authorized secret keys, that can decrypt the identity and transaction data of a given account holder together with decrypting transaction data such as amount size, digital asset type etc.

Some of the advantages of Concordium Blockchain:

- One of world's most skilled and experienced teams
- Second to none smart contract language
- Compliant blockchain
- Consensus driven
- Certification done right
- Proof of formal expectation
- Identity proof
- Platform security
- Strong investors behind
- Hacker proof
- Scalable
- Decentralized
- Low R&D Costs
- Privacy Guaranteed

Due to CONCORDIUM's huge R&D team that is only growing, Backed are secured reduced Research & Development costs. This gives tremendous advantages and secures Backed investors against a lot of different risks as CONCORDIUM hosts these shared platforms, ensuring Backed a hacker proofed, privacy compliant development environment.

Furthermore, this eliminates platform risk as the CONCORDIUM network is managed.

BACKED'S SECURITY FOR THE BACKED EXCHANGE

In the security design of the Backed Exchange and to present a bullet proof secure solution, we approach the consensus in the Byzantine agreement, the best known variant of which is PBFT.

Byzantine agreement ensures consensus despite arbitrary (including non-rational) behavior on the part of some fraction of participants. This approach has two appealing properties. First and foremost, consensus can be fast and efficient. Second, trust is entirely decoupled from resource ownership, which makes it possible for a small non-profit to help keep more powerful organizations, such as banks or CAs. Complicating matters, however, all parties must agree on the exact list of participants.

Moreover, attackers must be prevented from joining multiple times and exceeding the system's failure tolerance, a so-called Sybil attack. BFT-CUP accommodates unknown participants, but still presupposes a Sybil-proof centralized admission-control mechanism.

The consensus approach in Backed Exchange solves the double spending problem. In the first stage, all servers accept all valid transactions, including new. Further, each server votes for the veracity of the accepted transactions. Transactions that receive the most votes move on to a new stage, where voting occurs, the remaining transactions that gained insufficient number of votes are discarded. The transaction ceases to participate in the vote when the consensus reaches 80%. It is considered that it is impossible to solve the "Problem of the Byzantine generals" in the case that more than 33 % of the system prone to fraud. In the Backed Protocol, correctness of the consensus is run until the system prone to fraud more than 20 %. It is possible that a fraudulent transaction is confirmed by the consensus, but

such a transaction does not constitute a threat. Suppose a user attempts to conduct double-spending, but even if both transactions are approved by a consensus process, after the application of one of the transactions, the second is already invalid. The fact is that the basic requirement for consensus is dependent on a deterministic (reproducible) algorithm for processing events, which means that all conflicting situations are excluded. Compare Bitcoin and Backed in the field of double spending rests on the comparison of "proof of work" and the above algorithm consensus. The Bitcoin system is vulnerable, if the concentration of more than 51 % of the total capacity. However, it is not such a problem for Backed because of the use of a consensus approach. The Possession of excess capacity does not give the attacker any advantage. A similar attack to Backed would be to give the attacker control over most servers (validators) which are responsible for the verification of the collected transactions. But Backed Exchange can easily avoid this problem because it chooses its own validators. Attack detected easily correlated with the "fraudulent" by the validator, and in the future, this validator is excluded from the check list. Because of the minimal gain for the attacker and the complexity of the attack is unlikely that such attacks will be initiated. The level of protection increases in proportion to the growth of the Backed network.



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APPENDIX 2

Full List Definition



APPENDIX 2

FULL LIST DEFINITION

A

Acquisition	<p>One company taking over controlling interest in another company.</p> <p>Add-On Acquisition: a strategic acquisition fit for an existing platform/portfolio company.</p> <p>Adjusted Book Value: The value that results after one or more asset(s) or liability amounts are added, deleted, or changed from their respective financial statement amounts.</p> <p>Asset (Asset-Based) Approach: A general way of determining a value indication of a business, business ownership interest, or security by using one or more methods based on the value of the assets of that business net of liabilities.</p>
Alpha	The amount of return expected from an investment from its inherent value.
Alternative Minimum Tax (AMT)	Federal tax, revamped by the Tax Reform Act of 1986, aimed at ensuring that wealthy individuals, trusts, estates and corporations pay at least some tax.
Annual report	The yearly audited record of a corporation or a mutual fund's condition and performance that is distributed to shareholders.
Annualized	A procedure where figures covering a period of less than one year are extended to cover a 12-month period.
Annualized rate of return	The average annual return over a period of years, taking into account the effect of compounding. Annualized rate of return also can be called compound growth rate.
Appreciation	The increase in value of a financial asset.
Asset allocation	The process of dividing investments among cash, income and growth buckets to optimize the balance between risk and reward based on investment needs.
Add-On Acquisition	A strategic acquisition fit for an existing platform/portfolio company.
Adjusted Book Value	The value that results after one or more asset(s) or liability amounts are added, deleted, or changed from their respective financial statement amounts.
Asset (Asset-Based) Approach	A general way of determining a value indication of a business, business ownership interest, or security by using one or more methods based on the value of the assets of that business net of liabilities.



Alternative Minimum Tax (AMT)	Federal tax, revamped by the Tax Reform Act of 1986, aimed at ensuring that wealthy individuals, trusts, estates and corporations pay at least some tax.
Appreciation	The increase in value of a financial asset.
Average maturity	For a bond fund, the average of the stated maturity dates of the debt securities in the portfolio. Also called average weighted maturity. In general, the longer the average maturity, the greater the fund's sensitivity to interest-rate changes, which means greater price fluctuation. A shorter average maturity usually means a less sensitive - and consequently, less volatile - portfolio.
Asset class	Securities with similar features. The most common asset classes are stocks, bonds and cash equivalents.
Amount to Raise	Often used as a reference to how much funding capitals companies intend to gather through IPOs, Venture Funds, Independent Investors and many more.
B	
Benefit Stream	Any level of income, cash flow, or earnings generated by an asset, group of assets, or business enterprise. When the term is used, it should be supplemented by a definition of exactly what it means in the given valuation context.
Business Enterprise	A commercial, industrial, service, or investment entity, or a combination thereof, pursuing an economic activity.
Business Valuation	The act or process of determining the value of a business enterprise or ownership interest therein.
Balanced fund	Mutual funds that seek both growth and income in a portfolio with a mix of common stock, preferred stock or bonds. The companies selected typically are in different industries and different geographic regions
Bear market	A bear market is a prolonged period of falling stock prices, usually marked by a decline of 20% or more. A market in which prices decline sharply against a background of widespread pessimism, growing unemployment or business recession. The opposite of a bull market.
Benchmark	A standard, usually an unmanaged index, used for comparative purposes in assessing the performance of a portfolio or mutual fund.
Beta	A measurement of volatility where 1 is neutral; above 1 is more volatile; and less than 1 is less volatile.
Blue chip	A high-quality, relatively low-risk investment; the term usually refers to stocks of large, well-established companies that have performed well over a long period. The term Blue Chip is borrowed from poker, where the blue chips are the most valuable.
Board of Trustees	A governing board elected or appointed to direct the policies of an institution.
Bond	A bond acts like a loan or an IOU that is issued by a corporation, municipality or the U.S. government. The issuer promises to repay the full amount of the



	loan on a specific date and pay a specified rate of return for the use of the money to the investor at specific time intervals.
Bond fund	A mutual fund that invests exclusively in bonds.
Breakpoint	The level of dollar investment in a mutual fund at which an investor becomes eligible for a discounted sales fee. This level may be achieved through a single purchase or a series of smaller purchases.
Bull market	Any market in which prices are advancing in an upward trend. In general, someone is bullish if they believe the value of a security or market will rise. The opposite of a bear market.
Bull market	Balanced fund - Mutual funds that seek both growth and income in a portfolio with a mix of common stock, preferred stock or bonds. The companies selected typically are in different industries and different geographic regions.
C	
Capital	The funds invested in a company on a long-term basis and obtained by issuing preferred or common stock, by retaining a portion of the company's earnings from date of incorporation and by long-term borrowing.
Capital gain	The difference between a security's purchase price and its selling price, when the difference is positive.
Capital gains ex-date	The date that a shareholder is no longer eligible for a capital gain distribution that has been declared by a security or mutual fund.
Capital gains long term	The difference between an asset's purchase price and selling price (when the difference is positive) that was earned in more than one year.
Capital gains reinvest NAV	The difference between an asset's purchase price and selling price (when the difference is positive) that was automatically reinvested in more shares of the security or mutual fund invested at the security's net asset value.
Capital gains short term	The difference between an asset's purchase price and selling price (when the difference is positive) that was earned in under one year.
Capital loss	The amount by which the proceeds from the sale of a security is less than its purchase price.
Capital Asset Pricing Model (CAPM)	A model in which the cost of capital for any security or portfolio of securities equals a risk free rate plus a risk premium that is proportionate to the systematic risk of the security or portfolio.
Capitalization	A conversion of a single period stream of benefits into value.
Capital Structure	The composition of the invested capital of a business enterprise; the mix of debt and equity financing.
Cash Flow	Cash that is generated over a period of time by an asset, group of assets, or business enterprise. It may be used in a general sense to encompass various levels of specifically defined cash flows. When the term is used, it should be supplemented by a qualifier (for example, "discretionary" or



	"operating") and a definition of exactly what it means in the given valuation context.
Committed Equity Capital	Equity investment funds readily available to an investor to make investments according to a predefined investment strategy. Related uses or terms – capital under management, capital available for investment
Control	The power to direct the management and policies of a business enterprise.
Cost Approach	A general way of estimating a value indication of an individual asset by quantifying the amount of money that would be required to replace the future service capability of that asset.
Cost of Capital	The expected rate of return (discount rate) that the market requires in order to attract funds to a particular investment.
Cash equivalent	A short-term money-market instrument, such as a Treasury bill or repurchase agreement, of such high liquidity and safety that it is easily converted into cash.
Common stock	Securities that represent ownership in a corporation; must be issued by a corporation.
Contingent deferred sales charge (CDSC)	A back-end sales charge imposed when shares are redeemed from a fund. This fee usually declines over time.
Corporate bond	A long-term bond issued by a corporation to raise outside capital.
Country breakdown	Breakdown of securities in a portfolio by country.
Custodian	A bank that holds a mutual fund's assets, settles all portfolio trades and collects most of the valuation data required to calculate a fund's net asset value (NAV).
Cut-off time	The time of day when a transaction can no longer be accepted for that trading day.
Client Quality Assurance	This refers to the evaluation and analysis of various systems with the purpose to ensure that multiple services offered by financial companies are in line with the required standard to ensure quality delivery and customer satisfaction.
Cross Border	Any form of financing that exists beyond national confines is known as cross border financing and could be in the form of loans, bankers acceptances (BA) or letters of credit.
D	
Daily dividend factor (date)	Daily dividend distributed by a money market mutual fund.
Default	Failure of a debtor to make timely payments of interest and principal as they come due or to meet some other provision of a bond indenture.



Distribution schedule	A tentative distribution schedule of a mutual fund's dividends and capital gains.
Diversification	The process of owning different investments that tend to perform well at different times in order to reduce the effects of volatility in a portfolio, and also increase the potential for increasing returns.
Dividend	A dividend is a portion of a company's profit paid to common and preferred shareholders. Dividends provide an incentive to own stock in stable companies even if they are not experiencing much growth. Companies are not required to pay dividends.
Dividend paid	Amount paid to the shareholder of record a security or mutual fund.
Dividend reinvest NAV	Dividends paid to the shareholder of record that are automatically invested in more shares of the security or mutual fund that are purchased at the security's net asset value.
Dividend yield	Annual percentage of return earned by a mutual fund. The yield is determined by dividing the amount of the annual dividends per share by the current net asset value or public offering price.
Dollar cost averaging	Investing the same amount of money at regular intervals over an extended period of time, regardless of the share price. By investing a fixed amount, you purchase more shares when prices are low, and fewer shares when prices are high. This may reduce your overall average cost of investing.
Dow Jones Industrial Average (Dow)	The most commonly used indicator of stock market performance, based on prices of 30 actively traded blue chip stocks, primarily major industrial companies. The Average is the sum of the current market price of 30 major industrial companies' stocks divided by a number that has been adjusted to take into account stocks splits and changes in stock composition.
Discount For Lack of Control	A discount for lack of control is the reduction in a company's share value due to a shareholder's lack of ability to exercise their control over the company.
Discount Rate	In finance, the discount rate has two important definitions. First, a discount rate is a part of the calculation of present value when doing a discounted cash flow analysis, and second, the discount rate is the interest rate the Federal Reserve charges on loans given to banks through the Fed's discount window loan process.
Discount	A reduction in value or the act of reducing value.
Divestiture	Large public or private parent corporations selling off non-core business units.
Daily dividend factor (date)	Daily dividend distributed by a money market mutual fund.
Default	Failure of a debtor to make timely payments of interest and principal as they come due or to meet some other provision of a bond indenture.
Distribution schedule	A tentative distribution schedule of a mutual fund's dividends and capital gains.



Data Protection Compliance	This is a regulation that falls under GDPR (General Data Protection Regulation) to improve the security of personal data and give users more control over the data they share with various companies.
Direct Expenses	These refer to cost that directly changes with the volume of a cost object (services, customer, product, employees, product line and sales region). Examples of direct cost include; the price of materials used to make a product and price of labour.
DeFi (Decentralized Finance)	pieces of open-source technologies that aim to improve on different aspects of the current financial system through the introduction of a decentralized layer in order to disintermediate rent-seeking middlemen.
E	
EPS	The portion of a company's profit allocated to each outstanding share of common stock. EPS serves as an indicator of a company's profitability.
Equities	Shares issued by a company which represent ownership in it. Ownership of property, usually in the form of common stocks, as distinguished from fixed-income securities such as bonds or mortgages. Stock funds may vary depending on the fund's investment objective.
Equity fund	A mutual fund/collective fund in which the money is invested primarily in common and/or preferred stock. Stock funds may vary, depending on the fund's investment objective.
Ex-Dividend	The interval between the announcement and the payment of the next dividend for a stock.
Equity fund	A mutual fund/collective fund in which the money is invested primarily in common and/or preferred stock. Stock funds may vary, depending on the fund's investment objective.
Ex-Dividend date	The date on which a stock goes ex-dividend. Typically about three weeks before the dividend is paid to shareholders of record.
Exchange privilege	The ability to transfer money from one mutual fund to another within the same fund family.
Expense ratio	The ratio between a mutual fund's operating expenses for the year and the average value of its net assets.
Expense ratio (date)	Amount, expressed as a percentage of total investment that shareholders pay annually for mutual fund operating expenses and management fees.
Earn-Out	A contractual provision stating that the seller of a business is to obtain additional future compensation based on the business achieving certain future financial goals. An earn-out is a mutually beneficial tool to getting a deal done if it is structured appropriately. It maximizes the selling price for the Seller and it matches the Company's future earnings with the payments made to the Seller. An earn-out should not provide a financial "burden" on the Company, but should be structured as a sharing of the wealth. An earn-out becomes easier for a Seller to accept as he/she gets more comfortable with the Buyer. Trust must be established between the parties with face-to-face time.



EBITDA	A financial term that is a rough proxy for free cash flow. Formally defined as Earnings before Interest and Taxes plus Depreciation and Amortization.
Economic Life	The period of time over which property may generate economic benefits.
Enterprise Value	Enterprise value (EV) is a financial metric representing the entire value of a company after taking into account both holders of debt and equity. EV is calculated as the company's market capitalization plus debt, minus cash.
Equity Net Cash Flows	Those cash flows available to pay out to equity holders (in the form of dividends) after funding operations of the business enterprise, making necessary capital investments, and reflecting increases or decreases in debt financing.
Equity Risk Premium	A rate of return in addition to a risk free rate to compensate for investing in equity instruments because they have a higher degree of probable risk than risk free instruments (a component of the cost of equity capital or equity discount rate).
Excess Earnings	That amount of anticipated benefits that exceeds a fair rate of return on the value of a selected asset base (often net tangible assets) used to generate those anticipated benefits.
Excess Earnings Method	A specific way of determining a value indication of a business, business ownership interest, or security determined as the sum of the value of the assets obtained by capitalizing excess earnings and the value of the selected asset base. Also frequently used to value intangible assets. See Excess Earnings.
Exit Plan	A strategy, planned or unplanned, to depart an existing situation. The creation of an overall strategy that prepares a business owner and his/her company for the time when that business owner is no longer involved in the operations of the company. Examples of unplanned exits include death, divorce, incapacity, disability, management disputes, influx of competition, technological obsolescence, loss of a major customer, or other unforeseen economic events.
F	
Fair Market Value	The price, expressed in terms of cash equivalents, at which property would change hands between a hypothetical willing and able buyer and a hypothetical willing and able seller, acting at arm's length in an open and unrestricted market, when neither is under compulsion to buy or sell and when both have reasonable knowledge of the relevant facts.
Family Succession	In family successions or retirement transitions, ownership transfers from passive owners to active family members or outside shareholders. Facilitators are particularly sensitive to estate planning issues, family business dynamics, and the need for discretion and trust to make these transactions seamless and successful.
Forced Liquidation Value	Liquidation value at which the asset or assets are sold as quickly as possible, such as at an auction.
Free Cash Flow	The cash generated by a business on a pre-tax, pre-interest basis after making positive adjustments for non-cash expenses such as depreciation



	and amortization as well as owner-related benefits and negative adjustments for capital expenditures. Formally defined as Operating cash flow (Net Income plus depreciation and amortization plus taxes plus interest) minus capital expenditures and dividends.
Federal Funds Rate (Fed Funds Rate)	The interest rate charged by banks with excess reserves at a Federal Reserve district bank to banks needing overnight loans to meet reserve requirements. The most sensitive indicator of the direction of interest rates, since it is set daily by the market, unlike the prime rate and the discount rate, which are periodically changed by banks and by the Federal Reserve Board.
Federal Reserve Board (The Fed)	The governing board of the Federal Reserve System, it regulates the nation's money supply by setting the discount rate, tightening or easing the availability of credit in the economy.
Fixed income fund	A fund or portfolio where bonds are primarily purchased as investments. There is no fixed maturity date and no repayment guarantee.
Fixed income security	A security that pays a set rate of interest on a regular basis.
Fund	A pool of money from a group of investors in order to buy securities. The two major ways funds may be offered are (1) by companies in the securities business (these funds are called mutual funds); and (2) by bank trust departments (these are called collective funds).
G	
Going Concern	An ongoing operating business enterprise.
Going Concern Value	The value of a business enterprise that is expected to continue to operate into the future. The intangible elements of Going Concern Value result from factors such as having a trained work force, an operational plant, and the necessary licenses, systems, and procedures in place.
Goodwill	That intangible asset arising as a result of name, reputation, customer loyalty, location, products, and similar factors not separately identified.
Goodwill Value	The value attributable to goodwill.
Growth Capital	An investment made in an operating company by an outside investor to support existing or anticipated expansion of the business. May or may not include a change of equity control but frequently involves the exchange of equity ownership.
Growth investing	Investment strategy that focuses on stocks of companies and stock funds where earnings are growing rapidly and are expected to continue growing.
Growth stock	Typically a well-known, successful company that is experiencing rapid growth in earnings and revenue, and usually pays little or no dividend.
Growth-style funds	Growth funds focus on future gains. A growth fund manager will typically invest in stocks with earnings that outperform the current market. The manager attempts to achieve success by focusing on rapidly growing sectors



of the economy and investing in leading companies with consistent earnings growth. The fund grows primarily as individual share prices climb.

I	
Index	An investment index tracks the performance of many investments as a way of measuring the overall performance of a particular investment type or category. The S&P 500 is widely considered the benchmark for large-stock investors. It tracks the performance of 500 large U.S. company stocks.
Individual Retirement Account (IRA)	A tax-deferred account to which an eligible individual can make annual contributions up to \$3,000 (\$6,000 for a single-income married couple filing a joint income tax return).
Inflation	A rise in the prices of goods and services, often equated with loss of purchasing power.
Interest rate	The fixed amount of money that an issuer agrees to pay the bondholders. It is most often a percentage of the face value of the bond. Interest rates constitute one of the self-regulating mechanisms of the market, falling in response to economic weakness and rising on strength.
Interest-rate risk	The possibility of a reduction in the value of a security, especially a bond, resulting from a rise in interest rates.
Investment advisor	An organization employed by a mutual fund to give professional advice on the fund's investments and asset management practices.
Investment company	A corporation, trust or partnership that invests pooled shareholder dollars in securities appropriate to the organization's objective. Mutual funds, closed-end funds and unit investment trusts are the three types of investment companies.
Investment grade bonds	A bond generally considered suitable for purchase by prudent investors.
Investment objective	The goal of a mutual fund and its shareholders, e.g. growth, growth and income, income and tax-free income.
Income (Income-Based) Approach	A general way of determining a value indication of a business, business ownership interest, security, or intangible asset using one or more methods that convert anticipated benefits into a present single amount.
Intangible Assets	Nonphysical assets (such as franchises, trademarks, patents, copyrights, goodwill, equities, mineral rights, securities and contracts as distinguished from physical assets) that grant rights, privileges, and have economic benefits for the owner.
Intermediary	a merger & acquisition advisor who assists buyers and sellers of privately held small businesses throughout the business transfer transaction process. An agency relationship typically exists between the intermediary and either the buyer or the seller. The intermediary offers transaction advisory services such as estimating the value of the business; advertising it for sale with or without disclosing its identity; managing the initial buyer/seller interviews, discussions, and negotiations; facilitating the progress of the due diligence investigation and generally assisting with the business sale. Intermediaries require specific skills - number-



	crunching ability, excellent verbal and written communication skills, and the capacity to work very long and grueling hours.
Invested Capital	The sum of equity and debt in a business enterprise. Debt is typically long term liabilities or the sum of short term interest bearing debt and long term liabilities. When the term is used, it should be supplemented by a definition of exactly what it means in the given valuation context.
Investment Banker	An individual who works in a financial institution that is in the business primarily of raising capital for companies, governments and other entities. Investment bankers may also provide other services to their clients such as mergers and acquisition advice, or advice on specific transactions, such as a spin-off or reorganization. Investment bankers require specific skills - number-crunching ability, excellent verbal and written communication skills, and the capacity to work very long and grueling hours.
Investment Risk	The degree of uncertainty as to the realization of expected returns.
Investment Value	The value to a particular investor based on individual investment requirements and expectations. {NOTE: In Canada, the term used is "Value to the Owner."}
J	
Junk bond	A lower-rated, usually higher-yielding bond, with a credit rating of BB or lower.
L	
Letter of Intent (LOI)	A formal, written document indicating the terms a buyer is offering a seller in a proposed acquisition or investment. Although not a contract, it is a document stating a serious intent, by both parties, to carry out the proposed acquisition.
Leveraged Buyout (LBO)	The acquisition of a business utilizing equity or investment capital and third-party debt financing. Typically includes a change of control or change of ownership.
Liquidity	The ability to quickly convert property to cash or pay a liability.
Liquidation Value	The net amount that can be realized if the business is terminated and the assets are sold piecemeal. Liquidation can be either "orderly" or "forced".
Large-Cap	The market capitalization of the stocks of companies with market values greater than \$10 billion.
Lipper ratings	The Lipper Mutual Fund Industry Average is the performance level of all mutual funds, as reported by Lipper Analytical Services of New York. The performance of all mutual funds is ranked quarterly and annually, by type of fund such as aggressive growth fund or income fund. Mutual fund managers try to beat the industry average as well as the other funds in their category.
Loads (back-end, front-end and no-load)	Sales charges on mutual funds. A back-end load is assessed at redemption (see contingent deferred sales charge), while a front-end load is paid at the time of purchase. No-load funds are free of sales charges.



Long-term investment strategy	A strategy that looks past the day-to-day fluctuations of the stock and bond markets and responds to fundamental changes in the financial markets or the economy.
Legal Fiat Gateway	Refers to acceptable fiat currency that is accepted and can be used to make purchases and trades on cryptocurrency platform or exchange. Examples of fiat currency include; Dollars, Pounds, Chinese Yuan and many more.
Legal Responsibility	The obligations, duties, roles and rights of every party involved in trading or performing trade on a cryptocurrency platform as back by existing law. It is essential that everyone be aware of what they are legally responsible for, in the event of a breach of terms.
M	
Management fee	The amount paid by a mutual fund to the investment advisor for its services
Market price	The current price of an asset.
Market risk	The possibility that an investment will not achieve its target.
Market timing	A risky investment strategy that calls for buying and selling securities in anticipation of market conditions.
Maturity	The date specified in a note or bond on which the debt is due and payable.
Maturity distribution	The breakdown of a portfolio's assets based on the time frame when the investments will mature
Median Market Cap	The midpoint of market capitalization (market price multiplied by the number of shares outstanding) of the stocks in a portfolio, where half the stocks have higher market capitalization and half have lower.
Mid-cap	The market capitalization of the stocks of companies with market values between \$3 to \$10 billion.
Money market mutual fund	A short-term investment that seeks to protect principal and generate income by investing in Treasury bills, CDs with maturities less than one year and other conservative investments.
Morningstar ratings	System for rating open- and closed-end mutual funds and annuities by Morningstar Inc. of Chicago. The system rates funds from one to five stars, using a risk-adjusted performance rating in which performance equals total return of the fund.
Mutual fund	Fund operated by an investment company that raises money from shareholders and invests it in stocks, bonds, options, commodities or money market securities.
Majority Control	The degree of control provided by a majority position.
Majority Interest	An ownership interest greater than fifty percent (50%) of the voting interest in a business enterprise.
Management Buy-in	Financing an outside manager or management team to acquire a target company. In a management buy-in (MBI), an external management team partners with a company with a management void. This could be a



	private company, a stand-alone company, or an orphaned division of a larger company. Again, managers retain operational control while holding significant equity.
Management Buy-out	A process whereby management of a company acquires all or some of the ownership of the company they manage either independently or in partnership with a private equity fund/group (PEG). Management buy-outs (MBOs) are generally pursued by management teams that have little or no ownership in a business and want to obtain more ownership, but lack the financial resources to buy the company from the current owners. In these circumstances, a PEG can provide the financing necessary to facilitate the purchase of the business. The PEG also gives the management team a large equity stake to cement their commitment to continue running the business and pursue growth opportunities. Related uses or terms – MBO (Management Buy Out).
Market (Market-Based) Approach	A general way of determining a value indication of a business, business ownership interest, security, or intangible asset by using one or more methods that compare the subject to similar businesses, business ownership interests, securities, or intangible assets that have been sold.
Merger	The combination of two or more companies, either through (1) a pooling of interests in which the accounts are combined, (2) a purchase where the amount paid over and above the acquired company's book value is carried on the books of the purchaser as goodwill, or (3) a consolidation in which a new company is formed to acquire the net assets of the combining companies.
Minority Discount	A discount for lack of control applicable to a minority interest.
Minority Interest	An ownership interest less than fifty percent (50%) of the voting interest in a business enterprise.
Market risk	Market risk is the possibility of an investor experiencing losses due to factors that affect the overall performance of the financial markets in which he or she is involved. Market risk, also called "systematic risk," cannot be eliminated through diversification, though it can be hedged against
N	
NASDAQ	National Association of Securities Dealers Automated Quotations system, which is owned and operated by the National Association of Securities Dealers. NASDAQ is a computerized system that provides brokers and dealers with price quotations for securities traded over-the-counter as well as for many New York Stock Exchange listed securities.
Net Asset Value per share (NAV)	The current dollar value of a single mutual fund share; also known as share price. The fund's NAV is calculated daily by taking the fund's total assets, subtracting the fund's liabilities, and dividing by the number of shares outstanding. The NAV does not include the sales charge. The process of calculating the NAV is called pricing.
Number of Holdings	Total number of individual securities in a fund or portfolio.

	With respect to a business enterprise, the difference between total assets (net of accumulated depreciation, depletion, and amortization) and total liabilities of a business enterprise as they appear on the balance sheet (synonymous with Shareholder's Equity); with respect to an intangible asset, the capitalized cost of an intangible asset less accumulated amortization as it appears on the accounting books of the business enterprise.
Net Book Value	A form of cash flow. When the term is used, it should be supplemented by a qualifier (for example, "Equity" or "Invested Capital") and a definition of exactly what it means in the given valuation context.
Net Tangible Asset Value	The value of the business enterprise's tangible assets (excluding excess assets and non-operating assets) minus the value of its liabilities. {NOTE: In Canada, tangible assets also include identifiable intangible assets.}
Non-operating Assets	Assets not necessary to ongoing operations of the business enterprise. {NOTE: In Canada, the term used is "Redundant Assets."}
No of Intermediaries	The total number of individuals or institution that facilitate a financial transaction between several parties.
O	
Orderly Liquidation Value	Liquidation value at which the asset or assets are sold over a reasonable period of time to maximize proceeds received.
Onboarding time	This refers to the total amount of time it takes a client to search for information on a financial organization to the time it takes for them to have their request (i.e. account opening and activation) answered.
P	
Premise of Value	An assumption regarding the most likely set of transactional circumstances that may be applicable to the subject valuation; e.g. going concern, liquidation.
Private Equity	An investment in non-public securities of, typically, private companies. Also an investment asset class typically reserved for large institutional investors such as pension funds and endowments as well as high net worth individuals. Includes investments in privately-held companies ranging from start-up companies to well-established and profitable companies to bankrupt or near bankrupt companies. Examples of private equity include venture capital, leveraged buyout, growth capital and distressed investments.
Private Equity Fund	An investment vehicle, typically a Limited Partnership, formed to make investments in private companies via a pool of available equity capital.
Portfolio Discount	An amount or percentage that may be deducted from the value of a business enterprise to reflect the fact that it owns dissimilar operations or assets that may not fit well together.
Portfolio Company	A company acquired and owned by a private equity fund.



P/B Ratio	The price per share of a stock divided by its book value (net worth) per share. For a stock portfolio, the ratio is the weighted average price-to-book ratio of the stocks it holds.
Par value	Par value is the amount originally paid for a bond and the amount that will be repaid at maturity. Bonds are typically sold in multiples of \$1,000.
Portfolio	A collection of investments owned by one organization or individual, and managed as a collective whole with specific investment goals in mind.
Portfolio allocation	Amount of assets in a portfolio specifically designated for a certain type of investment.
Portfolio holdings	Investments included in a portfolio.
Portfolio manager	The person or entity responsible for making investment decisions of the portfolio to meet the specific investment objective or goal of the portfolio.
Preferred stock	A class of stock with a fixed dividend that has preference over a company's common stock in the payment of dividends and the liquidation of assets. There are several kinds of preferred stock, among them adjustable-rate and convertible.
Premium	The amount by which a bond or stock sells above its par value.
Price-to-book	The price per share of a stock divided by its book value (net worth) per share. For a stock portfolio, the ratio is the weighted average price-to-book ratio of the stocks it holds.
Price-to-earnings (P/E) Ratio	A stock's price divided by its earnings per share, which indicates how much investors are paying for a company's earning power.
P/E Ratio (1 yr trailing) (long position)	Price of a stock divided by its earnings from the latest year.
P/E Ratio (1 yr forecast)	Price of a stock divided by its projected earnings for the coming year.
Prospectus	Formal written offer to sell securities that sets forth the plan for proposed business enterprise or the facts concerning an existing one that an investor needs to make an informed decision. Prospectuses are also issued by mutual funds, containing information required by the SEC, such as history, background of managers, fund objectives and policies, financial statement, risks, services and fees.
Proxy	A shareholder vote on matters that require shareholders' approval.
Public offering price (POP)	A mutual fund share's purchase price, including sales charges.
Programmable Compliance	This compliance that is tailor-made for programmable financial assets such as cryptocurrencies.
Q	

Quality distribution	The breakdown of a portfolio's assets based on quality rating of the investments.
Quality of Listed Assets	The phrase is used to judge the worth of assets utilized by a cryptocurrency platform and listed assets may include the following; tokens, utilities and currencies. Their quality will be determined based on factors such as regulations, long and short term value, and overall valuation of the exchange.
R	
R2	The percentage of a fund's movements that result from movements in the index ranging from 0 to 100. A fund with an R2 of 100 means that 100 percent of the fund's movement can completely be explained by movements in the fund's external index benchmark.
Ratings	Evaluations of the credit quality of bonds usually made by independent rating services. Ratings generally measure the probability of timely repayment of principal and interest on debt securities.
Recession	A downturn in economic activity, defined by many economists as at least two consecutive quarters of decline in a country's gross domestic product.
Redemption	Sale of mutual fund shares by a shareholder.
Reinvestment option	Refers to an arrangement under which a mutual fund will apply dividends or capital gains distributions for its shareholders toward the purchase of additional shares.
Relative risk and potential return	The amount of potential return from an investment as related to the amount of risk you are willing to accept.
Rights of accumulation	The right to buy over a period of time. For example, this might be done by an institutional investor to avoid making a single substantial purchase that might drive up the market price, or by a retail investor who wants to reduce risk by dollar cost averaging.
Risk tolerance	The degree to which you can tolerate volatility in your investment values.
Rate of Return	An amount of income (loss) and/or change in value realized or anticipated on an investment, expressed as a percentage of that investment.
Recapitalization	A financing transaction that allow owners to harvest some of the value they have created in their companies while retaining a large ownership stake in the business going forward.
Residual Value	The prospective value as of the end of the discrete projection period in a discounted benefit streams model.
Risk Free Rate	The rate of return available in the market on an investment free of default risk.
Risk Premium	A rate of return in addition to a risk free rate to compensate the investor for accepting risk.

Rule of Thumb	A mathematical relationship between or among variables based on experience, observation, hearsay, or a combination of these, usually applicable to a specific industry.
S	
Sales charge	An amount charged for the sale of some fund shares, usually those sold by brokers or other sales professionals. By regulation, a mutual fund sales charge may not exceed 8.5 percent of an investment purchase. The charge may vary depending on the amount invested and the fund chosen. A sales charge or load is reflected in the asked or offering price. See loads.
Sector	A group of similar securities, such as equities in a specific industry.
Sector breakdown	Breakdown of securities in a portfolio by industry categories.
Securities	Another name for investments such as stocks or bonds. The name 'securities' comes from the documents that certify an investor's ownership of particular stocks or bonds.
Securities and Exchange Commission (SEC)	The federal agency created by the Securities and Exchange Act of 1934 that administers the laws governing the securities industry, including the registration and distribution of mutual fund shares.
Share	A unit of ownership in an investment, such as a share of a stock or a mutual fund.
Share class net assets (date)	Fund assets included in a specific share class.
Share classes	Classes represent ownership in the same fund but charge different fees. This can enable shareholders to choose the type of fee structure that best suits their particular needs.
Sharpe Ratio	A risk-adjusted measure that measures reward per unit of risk. The higher the sharpe ratio, the better. The numerator is the difference between the Fund's annualized return and the annualized return of the risk-free instrument (T-Bills).
Short-term investment	The market capitalization of the stocks of companies with market values less than \$3 billion.
Standard & Poor's Index	Broad-based measurement of changes in stock market conditions based on the average performance of 500 widely held common stocks commonly known as the Standard & Poor's 500 or S&P 500.
Standard Deviation	A statistical measure of the degree to which an individual value in a probability distribution tends to vary from the mean of the distribution.
Statement of additional information (SAI)	The supplementary document to a prospectus that contains more detailed information about a mutual fund; also known as 'Part B' of the prospectus.
Stock	A long-term, growth-oriented investment representing ownership in a company; also known as 'equity.'
Stockholder	The owner of common or preferred stock of a corporation. Also called 'shareholder.'

Systematic investment plan	A service option that allows investors to buy mutual fund shares on a regular schedule, usually through bank account deductions.
Search Fund	An individual or group of individuals seeking to identify an acquisition candidate that the individual or group can acquire and subsequently manage. Typically, search funds do not have dedicated capital to acquire a business but, rather, have informal pledges from potential investors. Related uses or terms – fund-less sponsor.
Special Interest Purchasers	Acquirers who believe they can enjoy post-acquisition economies of scale, synergy, or strategic advantages by combining the acquired business interest with their own.
Sustaining Capital Reinvestment	The periodic capital outlay required to maintain operations at existing levels, net of the tax shield available from such outlays.
Systematic Risk	The risk that is common to all risky securities and cannot be eliminated through diversification. When using the capital asset pricing model, systematic risk is measured by beta.
Secondary Market	This is commonly referred to as the aftermarket, and it follows after an initial public offering and stocks, bonds, futures, and options are traded.
T	
Terminal Value	See Residual Value.
Tax-exempt income	Tax-exempt income is income that is exempt from income taxes. A purchaser of state municipal bonds is exempt from federal taxation on the income earned from the bonds.
Time horizon	The amount of time that you expect to stay invested in an asset or security.
Top 10 holdings	Ten largest holdings in a portfolio based on asset value. The top 10 holdings ranked by market value in each position category (long and short). A long position is one in which an investor buys shares of stock and as an equity holder will profit if the price of the stock rises. With short positions a short position an investor will sell shares of stock that they do not own but have borrowed. The investor in a short position will profit if the price of the stock falls.
Top five contributors	Five assets in a portfolio that generated largest negative returns (losses).
Top five detractors	Top five industries in a portfolio based on amount of invested assets.
Top five holdings	Top five securities in a portfolio based on amount of invested assets.
Top five industries	Top five industries in a portfolio based on amount of invested assets.
Total return	Accounts for all of the dividends and interest earned before deductions for fees and expenses, in addition to any changes in the value of the principal, including share price, assuming the funds' dividends and capital gains are reinvested. Often, this percentage is presented in a specified period of time (one, five, ten years and/or life of fund). Also, a method of calculating



	an investment's return that takes share price changes and dividends into account.
Tracking Error	The active risk of the portfolio. It determines the annualized standard deviation of the excess returns between the portfolio and the benchmark.
Transfer agent	An agent, usually a commercial bank, appointed to monitor records of stocks, bonds and shareholders. A transfer agent keeps a record of the name of each registered shareholder, his or her address, the number of shares owned, and sees that certificates presented for the transfer are properly canceled and new certificates are issued in the name of the new owner.
Treasury bill	Negotiable short-term (one year or less) debt obligations issued by the U.S. government and Backed by its full faith and credit.
Treasury bond	Negotiable long-term (10 years or longer) debt obligations issued by the U.S. government and Backed by its full faith and credit.
Treasury note	Negotiable medium-term (one year to 10 years) debt obligations issued by the U.S. government and Backed by its full faith and credit.
Treasury security	Securities issued by the U.S. Treasury Department and Backed by the U.S. government.
Trustee	An organization or individual who has responsibility for one or more accounts. An individual who, as part of a fund's board of trustees, has ultimate responsibility for a fund's activities.
Turnover Ratio	Percentage of holdings in a mutual fund that are sold in a specified period.
Trading 24/7	This means that trading can be done throughout the 24 hours of a day at any given time.
U	
Unsystematic Risk	The portion of total risk specific to an individual security that can be avoided through diversification.
V	
Valuation	The act or process of determining the value of a business, business ownership interest, security, or intangible asset.
Valuation Date	The specific point in time as of which the valuator's opinion of value applies (also referred to as "Effective Date" or "Appraisal Date").
Valuation Method	Within approaches, a specific way to determine value.
Valuation Procedure	The act, manner, and technique of performing the steps of an appraisal method.
Valuation Ratio	A fraction in which a value or price serves as the numerator and financial, operating, or physical data serve as the denominator.



Value investing	A strategy whereby investors purchase equity securities that they believe are selling below estimated true value. The investor can profit by buying these securities then selling them once they appreciate to their real value.
Value stock	Typically an overlooked or underpriced company that is growing at slower rates.
Value-style funds	Value-style funds typically hold company stocks that are undervalued in the market. Fundamentally strong companies whose stocks are inexpensive but trending upward may also be selected for value funds.
Volatility	The amount and frequency with which an investment fluctuates in value.
W	
Weighted Average Capital (WACC)	The cost of capital (discount rate) determined by the weighted average at market value of the cost of all financing sources in the business enterprise's capital structure.
Wtd. Avg. Market Cap	Most indexes are constructed by weighting the market capitalization of each stock on the index. In such an index, larger companies account for a greater portion of the index. An example is the S&P 500 Index.
Weighted average maturity	A Fund's WAM calculates an average time to maturity of all the securities held in the portfolio, weighted by each security's percentage of net assets. The calculation takes into account the final maturity for a fixed income security and the interest rate reset date for floating rate securities held in the portfolio. This is a way to measure a fund's sensitivity to potential interest rate changes.
Y	
YTD total return	Year-to-date return on an investment including appreciation and dividends or interest.
YTD	Year-to-date return on an investment including appreciation and dividends or interest.
YTD Return (w/ load)	Year-to-date return on an investment including appreciation and dividends or interest, minus any applicable expenses or charges.
Yield	Annual percentage rate of return on capital. The dividend or interest paid by a company expressed as a percentage of the current price.
Yield to maturity	Concept used to determine the rate of return an investor will receive if a long-term, interest-bearing investment, such as a bond, is held to its maturity date.
Yield to maturity distribution	The average rate of return that will be earned on a bond if held to maturity.
1-9	
12b-1 fee	A mutual fund fee, named for the SEC rule that permits it, used to pay for broker-dealer compensation and other distribution costs. If a fund has a 12b-1 fee, it will be disclosed in the fee table of the fund's prospectus.
30-day SEC yield (date)	Represents net investment income earned by a fund over a 30-day period, expressed as an annual percentage rate based on the fund's share price at the end of the 30-day period. The 30-day yield should be regarded as an estimate of

investment income and may not equal the fund's actual income distribution rate.

52 Week High A security's trading high point over the last 52-week period.



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APPENDIX 3

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