LEVEL NET

LevelNet™

Security of one is security of all

The World's First Cyber Security Platform

White Paper

September 2017

Version 0.9

Addendum No. 1 to whitepaper version 0.9
12/16/2017

The changes relate to the decrease of the hard cap to $ 12,000,000. Due to the mechanism of dividing the funds for the funds, which is not quite understandable for the audience, depending on the number of tokens sold, we decided to lower the hard cap without violating the project economics and continuing to observe the interests of the tokens holders in various exit strategies. Reducing the hard-cap does not affect the division of funds into funds, it only removes the dependence on the volume of the tokens sold. The number of tokens issued corresponds to the amount of funds when a hard cap is reached.

Read the following paragraphs in the new edition:

The Token Offering --- Summary section, page 15.
New value Quantity of tokens issued 15'000'000
Previously released LVL tokens were destroyed in the number of 55'000'000,
https://etherscan.io/address/0x04ee7760a1733bb8045fb695ed8ca05d7e2b9e09#tokentxns

Section Key Deal Terms, page 17.
The financing needs in this phase (product release) amount to $ 1.5-12 MLN.

The project is evaluated by the "Development and Implementation Fund."
Buyback section, page 18
Values in the table of 10-20% and 20-100% are considered not valid

Money Back Guarantee section, page 19
Values in the table of 10-20% and 20-100% are considered not valid

Section Fund Distribution, page 25
Separation of funds to funds depending on the sold tokens is considered obsolete and take the value of the distribution, which corresponds to If the token is sold from 0 to 10%.

- **Buyback Fund, page 26**
  Values in the table of 10-20% and 20-100% are considered not valid
  The maximum value from 1 to 10% is considered to be $ 1.2M
- **Development & Implementation Fund, page 27**
  Values in the table of 10-20% and 20-100% are considered not valid
  The maximum value from 1 to 10% is considered to be $ 7.2M
- **Reserve Fund, page 28**
  The foundation is not being formed.
- **Pricing, page 30**
  The number of tokens available for sale is proportionally reduced to the total volume of the issue of 15,000,000.

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Abstract

LevelNet integrates virtually all existing anti-virus technologies into one simple, user-friendly application. This distributed system enables participants to share threat data globally and in real time, allowing for the entire system to become much smarter, much faster, than any single security cybersecurity provider can today. LevelNet significantly boosts the capabilities of any user installed anti-virus program. If a user does not have any security applications installed, LevelNet can take advantage of its distributed network platform and act as a self-standing application.

Today's cybersecurity solutions are limited. As one of the main providers finds a threat, it will often take significant time for that knowledge to be distributed to the total system. New malware takes advantage of this window of time to infect the greatest number of devices. LevelNet creates an integrated, global, and immediately responsive system to stop more malware earlier than it was heretofore possible.

The Problem: A World Of Outdated Cybersecurity

The 2017 Global Cybersecurity market is valued at more than $400 billion,[1] with the consumer anti-virus segment alone valued at $25 billion. Usage of the internet is becoming ever more omnipresent, with markets such as IoT are driving ever more connectivity. Growth in the cybersecurity sector is significant and sustained, with an estimated CAGR (Compound Annual Growth Rate) of 9.5% between 2016 and 2021.[2] Such a high-value market coupled with sustained growth is ideal for investors looking for a lucrative value proposition.

The main opportunities in the consumer cybersecurity marketplace reside in the weaknesses created by an industry focused on existing threats, not future malware. Cybercrime evolves rapidly, and any system designed to face this threat must be designed to evolve rapidly. However, the monolithic nature of institutions tasked with this problem makes it difficult for them to offer the flexibility needed to surmount these challenges both quickly and efficiently.

1 http://www.csoonline.com/article/3083798/security/cybersecurity-spending-outlook-1-trillion-from-2017-to-2021.html

2 https://globenewswire.com/news-release/2017/05/17/986975/0/en/At-9-5-CAGR-Global-Cyber-Security-Market-to-reach-USD-181-77-Billion-in-2021-Zion-Market-Research.html

An Emphasis on Future Threats

Traditional methods of virus protection rely on users installing anti-virus software. It searches and identifies malware using a database of signatures the provider has to compare to.

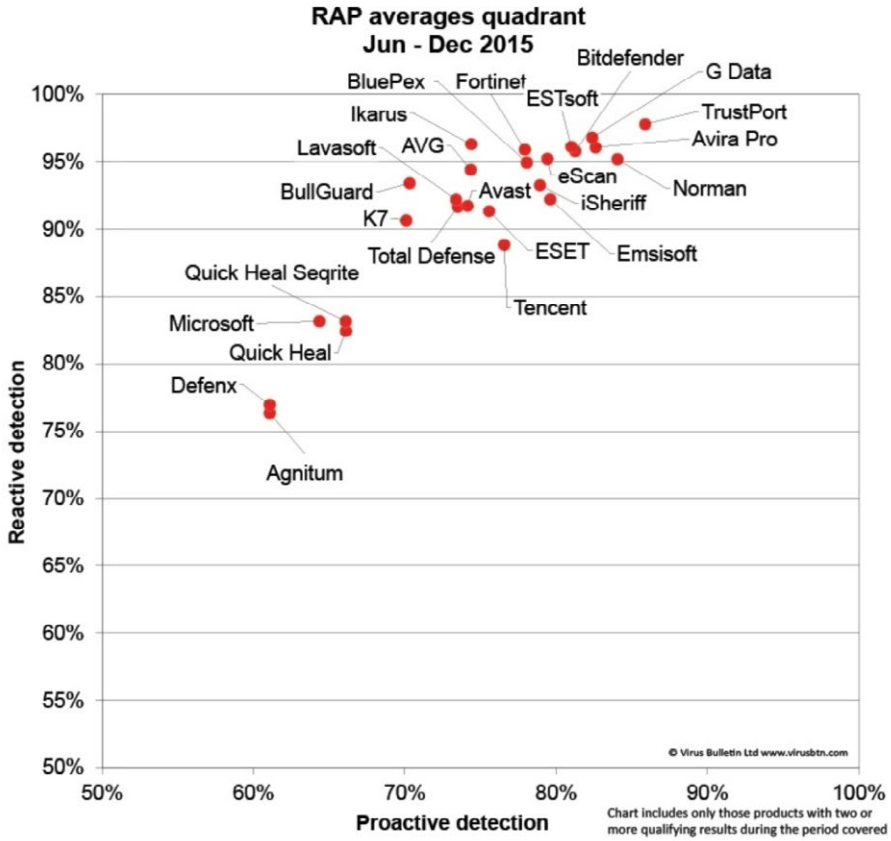
Files with executable code are analyzed, and their threat level is determined using a heuristic analysis method. These heuristic decisions are made using a previously developed algorithm, which is frequently left lagging in updates. Standard signatures are not used with the heuristic method.

A more advanced method of protection is code emulation. Here a virtual machine (VM) simulates the CPU and memory management systems then executes the code on the VM in order to look for unintended or unaccounted for effects. This enables one to test and observe the effects of malicious code without making the non-virtual machine vulnerable. Additionally, with behavioral analysis technology, one can evaluate entire sequences of actions from the malware, thereby significantly increasing the efficiency of the anti-virus software.

These measures may be sufficient for prevention of known cyber threats, but they are are not adequate for emerging malware. Virus protection often requires prompt and regular, regardless of particular software capabilities or which method they employ. Otherwise, the risk of security breaches increases significantly.

High costs for consumers

The cost to consumers is usually in the range of $50+ per year, with relatively low threat detection efficacy. No individual anti-virus product can offer “ideal protection.” Vendors specialize in a particular threat type, and enterprise solutions involve much more resource intensive processes such as emulation that are too expensive and time consuming for the consumer market. The average Industry-leading detection rates for anti-virus companies today are not more than 95% reactively and 80% proactively:



Other statistics are even less encouraging:

- "The best antivirus software catches only 5% of new online threats" - by Harvard Business Review [3]
- "The Antivirus industry has a dirty little secret that they really don't want anyone to know. Despite the claims of their marketing departments, their products are not all that effective in the real world. Best performances in the industry are between 80% and 90% against threats out there in the wild at any time, and their protection against ransomware is very bad" [4]
- "One well known, major antivirus industry player is routinely scoring no better than 80% reactive combined with a 70% proactive" [5]

At the same time, Cyber-security does not come cheap - a typical Kaspersky Labs, NOD32, or Symantec product cost around $50 annually. LevelNet plans to offer a $0.99 annual cost for its premium service. Companies today spend upwards of 25% of their IT budget on Cyber-security. The market is hungry for solutions that can improve quality and lower the cost footprint.

3 Harvard Business Review, November 2015.

4 https://blog.knowbe4.com/bid/355390/the-antivirus-industry-s-dirty-little-secret

5 http://www.bizztechnology.today/2016/04/how-well-does-your-antivirus-work.html

The Opportunity: Conquering A Fragmented Global Market

The antivirus market is both rapidly evolving and highly fragmented. The emergence of the Internet of Things (IoT) is creating new challenges that no provider today is adequately capable of addressing entirely.

Cloud-based anti-viruses can provide security only in the proprietary developer's framework, however without the inclusion of technologies from other developers. There are also cybersecurity service providers that conduct virus checks using anti-virus software from multiple original software developers. The results of such checks, therefore, do not depend on the capabilities of single products. This approach produces more reliable threat detection. However, it does not provide a real-time defense solution and requires the manual download of every file through specific APIs on the corresponding webpage.

Furthermore, "Big Thing" cloud computing platforms are still in the future. Endpoint devices and IoT remain vulnerable to cyber-threats. It is clear that there is a need for an efficient, real-time cybersecurity solution using all relevant data available from multiple cybersecurity and antivirus software applications.

LevelNet: Real-time Cybersecurity Solution

- LevelNet offers preventive protection measures for a competitive price of $0.99-9.99 for an annual subscription per end-user device.
- LevelNet Network & End-Point App integrates users into a single universal network of cybersecurity. Exchange data in real time about emerging threats on your devices. Combining all anti-virus capabilities into one Network.
- LevelNet Cloud contains a database of incidents and updates it in real time thereby forming a reputation service for files and other objects.

How it Works

The LevelNet system provides cybersecurity measures against suspected files/viruses/threats detected by any of the anti-virus/cybersecurity software applications present on the LevelNet network. Suspicious files, viruses, and threats can be quarantined/deleted regardless of whether there is an installed antivirus software at the particular endpoint.

It is essentially a network where each user exchanges information about IT security incidents (viruses and any other computer threats) detected on their device with other users in real time. This above process is done to prevent an attack directed at any device connected to the network. Network users agree to exchange such information beforehand.

Threat detection is performed by monitoring the response of security systems installed on the user's device. The response is analyzed by the client program that are located both on the user device and outside of it on other nodes of the network. After the analysis is completed, users are notified of the threat. Users receive threat notifications in the form of prepared bundles of information with various network protocols in place.

The source of the notification can be either the user device with an installed client program or other network nodes carrying functional features of the program responsible for notifications. The client program then blocks the threat for all notified users via specialized program features, i.e., alerts, other features then scan for the sources of the various threats.

Protection Based on LevelNet and the Dynamic Whitelist

Installed antivirus product: Response Exchange Principles

The client software analyzes the response of antivirus products on users' devices. Results of the antivirus behavior analysis are sent on the LevelNet network for further processing as well as for deciding the level of a particular threat or threats. The data is transferred between the client nodes and out to the network servers. If for any reason, the LevelNet system perceives response results as a potential or real threat, all users receive information about this software package. This information is distributed between various nodes of the LevelNet network.

Reputational base formation

A novel concept of weighting certain attributes for the determining the Risk Level of potential software packages. This Risk Level is evaluated by the LevelNet system automatically based on the value of a set of factors listed below in descending order of importance:

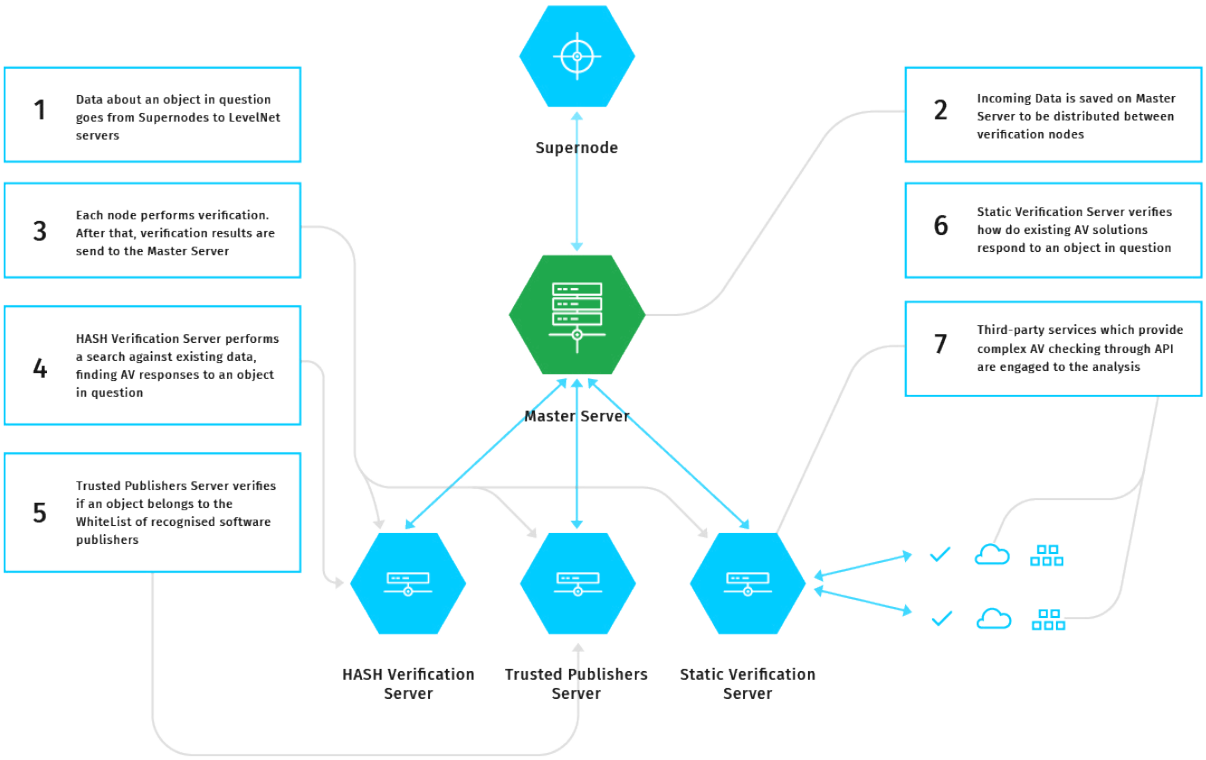
- antivirus solutions reactions from end-point users.
- level of trust that its publisher has
- prevalence within the network
- the number of cases when this software was added to the list of exceptions by end-users

The number of antivirus solutions responses can be obtained both from users' devices and from internal servers of the LevelNet network. The process of monitoring previously unknown software is ongoing through the LevelNet network.

Scheme of data checking incoming from LevelNet network nodes

The publisher's credibility depends on three things, their reputation, the duration of their participation in LevelNet, and the popularity of the existing security software they use.

The degree of a threat is dynamically indicated. Should the level change for a particular software package, its value is immediately synchronized with all users' devices within the LevelNet network, thus ensuring the operational update of the threat data.

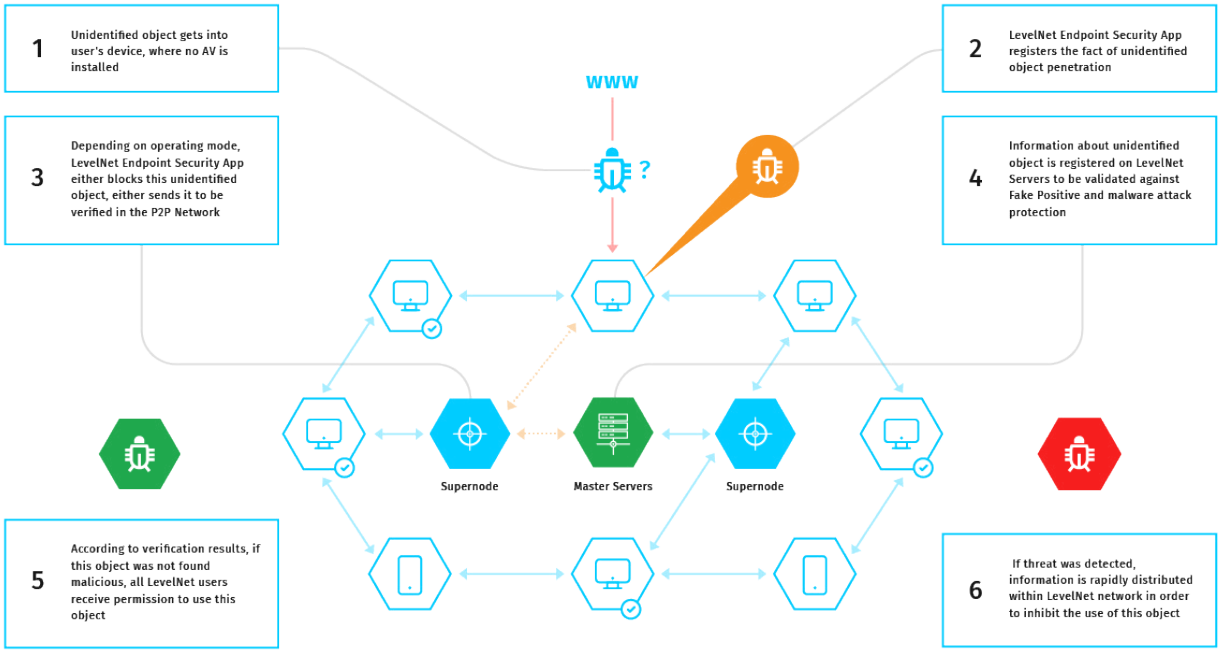


Endpoint Security App operating modes

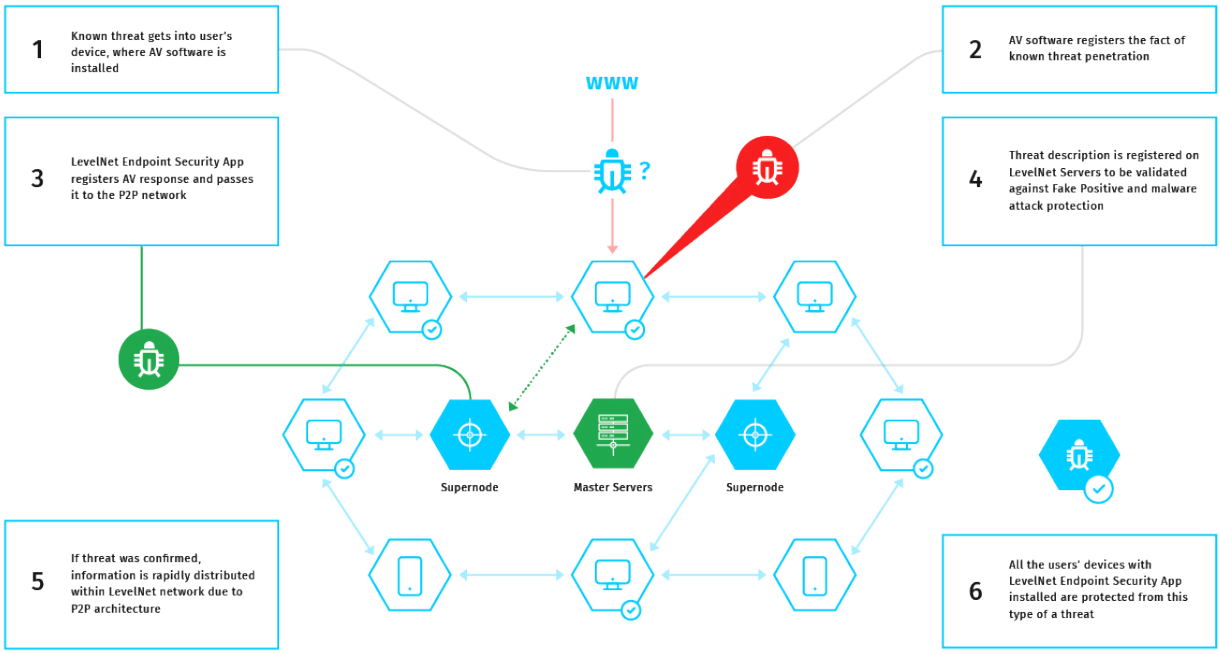
The client side software on the end devices works in blocking mode for a software package that is unrecognized by the LevelNet network (this is the operating mode of the application when all previously unknown software via user input is locked to execution). Optionally, White Lists can be enabled, which allows the user of the software to select packages from a whitelist of trusted publishers. Also, the user can depend on the threat level, be able to grant permission to use unknown software, after he/she is prompted via a corresponding warning message/alert.

Furthermore, the user can create their list of exceptions, independent from the LevelNet global rules. This function may be useful for both software developers, and regular users who have installed rarely used software, causing groundless "suspicion" from antivirus solutions.

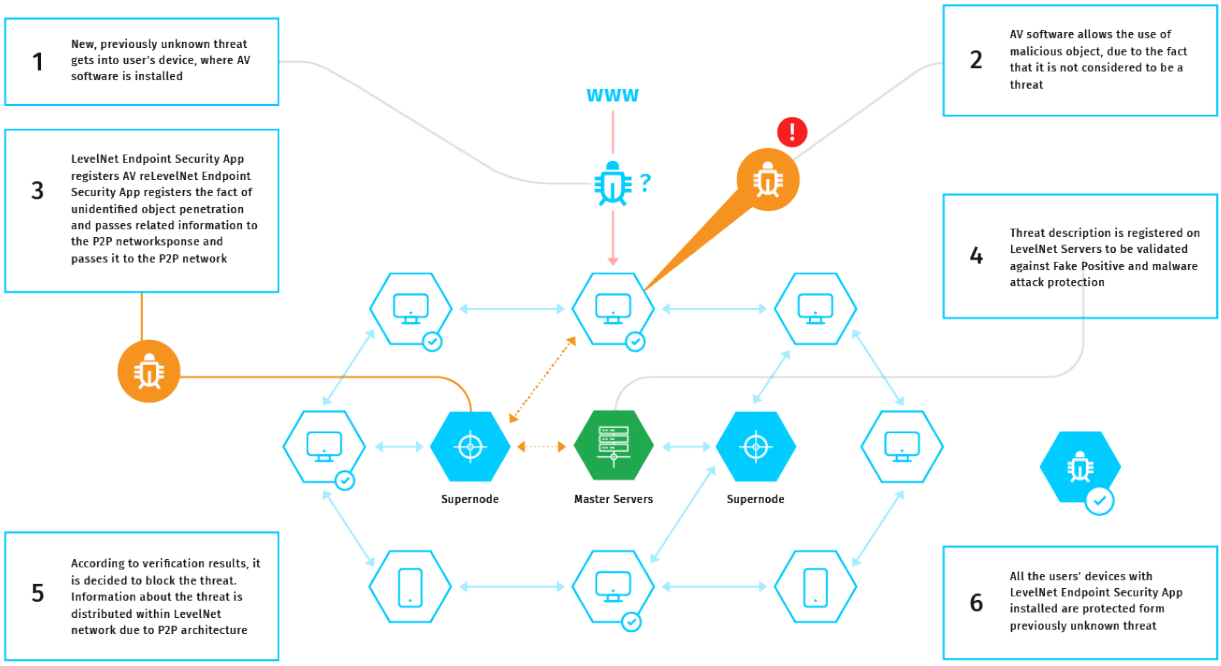
Using the LevelNet Endpoint Security App without antivirus software installed



Using LevelNet Endpoint Security when installed AV software can detect a threat



Using LevelNet Endpoint Security with AV software not receptive to a new threat



New publisher assessment for the Dynamic Whitelist

Before a new software publisher can become included on the LevelNet Whitelist, they must undergo register and undergo verification procedures.

Registration can be performed linked to social network account or via corporate email accounts. Also, supplementary information needs to be provided:

- company website
- type of software
- type of a company
- country and address
- approximate site visits per day
- approximate application downloads per day.

Once the publisher completes registration, a personal dashboard then becomes available for the publisher to enter the next stage, which is to pass the verification in order to be added to the LevelNet Whitelist.

Publisher verification in this particular case means confirmation of the accuracy of the information provided during registration. For the most well-known and popular publishers, the process is streamlined. In this instance, verification is performed by adding a series of verification records to the publishers DNS name servers (Either a CNAME or TXT record). Additionally, for publishers not included in either of the above categories, further proof of identity is required either through a document or credit card, these publishers will then also need to fill out a form with a description of the software.

After passing both procedures (registration and verification), the publisher is then given the opportunity to upload their software package, as well as the opportunity to provide updates to newer versions as they become available. All subsequently uploaded files also undergo an automatic antivirus scan for the potential existence of malicious components.

Our Prototype

Our working prototype is now available for demonstration. It can be easily installed on Mac, Windows or Linux Operating Systems. During one such test (available below) the result was that the malware files were immediately detected and neutralized on all virtual machines. Test demonstration video(subtitles available): https://www.youtube.com/watch?v=fDLfvA9EqNU&t=2s

Business Model Overview [6]

A self-updating platform with significantly better a single AV package on it's own:

- Customers are able to combine the shared protective power of all their cybersecurity programs. This drastically increases the rates of threat detection and thus the overall security of the network.

- For Corporate customers we offer participation in the Network with additional features such as private API and SDK.

- We predict that the LevelNet Network will reach over 100 MLN connected devices within the next 5 years.

- LevelNet's business model assumes a system of free distribution for up to 2 years. Once the goal of reaching a customer base of one MLN members is achieved, then LevelNet will pivot to a freemium model with the provided breakdown:
  - 69% unpaid users;
  - 25% of users paying a $0.99/month nominal fee (for additional premium features);
  - 5% of users on a $9.99/month plan;
  - 1% of users on a $99.99/month corporate plan.

- LevelNet will provide premium services for corporate users at prices ten times lower than other products currently available in the marketplace, these premium services include:
  - Private an API for the uploading of specific files for an immediate check (which generate higher than expected threat detection rates).
  - SDK tools to allow customization for large corporate clients (customers will benefit from best-in-class threat detection and threat awareness).

6 LevelNet continues to explore additional and alternative monetization models.

Token Offering

Summary

The main purpose of this fundraising is for the development and launch of LevelNet with its accompanying products:

Token Name	LVL
Phase 1	Non-investment
Issuer	Level Capital
Description/Rights	Token owners will be able to use LevelNet services, the LevelNet ecosystem, and all its products, in addition to receiving use of intellectual property rights. Possession of the token gives access to the Buyback Fund and Money-Back funds secured by a smart contract based on Ethereum. It will be possible to exchange tokens for crypto shares in the second phase of the project.
Payout Structure	A smart contract allows token owners to receive payment from the Money Back and Buyback funds starting from the 60th day after the offering.
Quantity of tokens issued	70,000,000
Nominal Value of single token	$1.00 USD
Conditions	Tokens not sold during the TOKEN OFFERING are to be destroyed. The release of additional tokens is excluded. Trading or ownership of LevelNet with its tokens is excluded. All exchanged and redeemed tokens are to be destroyed. Tokens used at the time of subscription to access premium features, business version, API and other LevelNet services will be destroyed.
Funding requirements	Soft Cap $1.5M - Hard Cap approx. $55M

Token Share Name	Token Share Name
Phase 2	Investment
Issuer	LevelNet Foundation
Description/Rights	Owners of LVLS will have ownership and profit sharing rights, owners will have rights to be chosen in supervisory committee, to nominate the members of the Director Board, to choose the Fund's main investment and expenses directions. In this order to implement this we hired a team of Legal and finance and investment experts to design a second phase of our strategy.
Payout Structure	Profit-sharing once the project reaches profit-ability.
Quantity of tokens issued	To be announced.
Nominal price per token	Fixed after market price is determined.
Conditions	Owners of LVL tokens have preemptive rights. All exchanged LVL tokens are destroyed.

Key Deal Terms

- Level Capital LLC (Level Capital) is the manager of the LevelNet project/user community and guarantor of participant rights.
- LeveL Capital issues LVL tokens, which will only be distributed during the duration of the TOKEN OFFERING.
- Level Capital will create Buyback funds and will use them to redeem tokens no later than 60 days after the date of the TOKEN OFFERING.
- Level Capital will invest assets received during the TOKEN OFFERING in operations and infrastructure development for the completion of LevelNet Endpoint Security in preparation for its commercial launch.
- LVL tokens will be sold on CryptoShare exchanges.
- As the operator of the LevelNet project, Level Capital will at determined intervals redeem the tokens in exchange for the cryptocurrency, as quoted on cryptocurrency exchanges.

- The investment phase of the project will be implemented by the roadmap.
- LevelNet Capital will create investment fund structure with the possibility of raising funds and protecting the rights of token owners. Once the British Virgin Islands investment Legal entity designed and created, all holders of the LVL tokens will be able to exchange them for LVLS tokens. All shares Newly created (or reorganised) Legal entity will be on blockchain.
- Ownership of LVLS tokens will allow for participation in the sharing of the fund's profits starting in 2021. If the profits are not distributed, or there is none, then an option will be given for token holders to increase share participation in the fund at an optional discount.
- During the second phase, LVLS tokens will provide shares in the LevelNet project. LVLS tokens can only be redeemed using LVL tokens.
- The financing needs in this phase (product release) amount to $1.5-55 MLN. The project is evaluated by the "Development and Implementation Fund."
- LevelNet Capital will maintain a token equity holders register.

Returns Model

Phase #1 will determine the valuation of the company and is not an investment. Each phase provides privileges for the token holders. Below is a detailed summary of the benefits and other value propositions of each phase.

Phase 1: Non-Investment

LVL Token Details

Holders of LVL tokens have a membership status that provides access to LevelNet services and software. LevelNet offers participants in the non-investment phase the following options:

- Business API and premium services. Participants exchange tokens for subscriptions to LevelNet services in case they have more tokens than the required amount. The possession of tokens in this required amount will significantly reduce the costs of a corporate plan.
- Lifelong use of the LevelNet application and any LevelNet services for ordinary users, without additional payment for premium features.
- Option to participate in Phase 2.
- Access to the "Buyback" and "Money Back Guarantee" funds, secured by a smart contract.
- The possibility of receiving an LVLS financial instrument upon a successful KYC / AML procedure (see Terms and Conditions).

Buyback

To increase the interest for the community members, as well as to foster equitable spending on product development, we created a smart contract. This contract, using the funds from the "Return Fund," will regularly buy back tokens from the market using the algorithm described below. Buybacks will be carried out on CryptoCurrency exchanges.

The buyback algorithm is built by the Token Offering results, i.e., on the total number of tokens sold. Depending on the "Return Fund," the smart contract algorithm redeems tokens automatically from exchanges on which it trades. Returned tokens are destroyed. This is the description of the algorithm:

Tokens sold during the TOKEN OFFERING period (% of the total number issued)	Start date of Buyback	End date of Buyback	Daily Buyback times	Daily end time for buyback	Daily volume of buybacks (range)	Number of daily orders	Volume of Orders	Buyback	Limit to Buyback price
0-10%	60 days after token offering	Until fund resources are exhausted	Anytime	Until the daily repurchase limit is reached	$1-10000	Unlimited	Unlimited	Upon request of token owner	The buyback price is the maximum price reached during daily trading
10-20%					$1-25.000				
20-100%					$1-200.000				

Smart Contract

The smart contract that is used is an ERC20 standard token, based on Ambisafe EToken [7] contract. The source code is publicly available via github link in the footnote.

Token properties

Token Code	LVL
Contract address	0x5d78d89d4a90b7db17821d36599de1c78c7bda28
Contract source code	https://github.com/Ambisafe/etoken2
Decimal places	4
Reissuable	No
Premine amount	70,000,000
ICAP code	LVL
ICAP organization code	LVLC

7 https://github.com/Ambisafe/etoken2

Security

The token code used is well tested and employed by multiple ICO's, including Polybius [8], TaaS [9] and Propy [10].

In case any bugs are discovered, the EToken protocol allows for easy migration of the contract logic to a newer version without any actions required from the users. [11]

Money Back Guarantee

In order to increase investor interest, we created a smart contract that provides an opportunity to receive a reward for participating in the LevelNet project. Depending on the amount of token sold, the smart contract algorithm automatically calculates and sends a one-time payment to the investor from the "Money Back" Guarantee Fund. The tokens in this algorithm remain in existence. This is the description of the algorithm:

Tokens sold during the TOKEN OFFERING period (% of the total number issued)	Conditions of participation (token ownership)	Date of verification of conditions (anytime between)	Payment date after the verification of conditions	Return % over total funds	Number of participants	Share of payments
0-10%	=>30 000	40-62 days	+ 6 days	7%	1	100%
	=>3750	40-62 days		5%	10	Proportional
	=> 2000	40-62 days		3%	10	Proportional
10-20%	=>50 000	40-62 days		7%	1	100%
	=>10 000	40-72 days		5%	10	Proportional
	=>5 000	40-82 days		3%	10	Proportional
20-100%	=>70 000	40-92 days		7%	1	100%
	=>15 000	40-102 days		5%	10	Proportional
	=>7 000	40-112 days		3%	10	Proportional

8 https://polybius.io/

9 https://taas.fund/

10 https://propy.com/

11 https://github.com/Ambisafe/etoken2/blob/master/contracts/AssetProxy.sol#L34 and https://github.com/Ambisafe/etoken2/blob/master/contracts/EToken2.sol#L32

Converting tokens into service subscriptions

As described in the Business model overview, LevelNet provides not only the free distribution of an endpoint security application, additionally LevelNet at one tier offers paid subscriptions for the use of LevelNet's API and SDK for corporate clients. Similar subscriptions packages are estimated at $50k per year. LevelNet will allow for token owners to exchange the tokens purchased during the Token Offering for a subscription plan, which then can substantially be used by the owner or sold to others.

Subscription [12]

This allows the use of LevelNet services for different periods and with different functionalities for corporate users. This subscription can be used by the owner of the tokens or sold to others.

Conversion Procedure

Only LVL tokens can be converted into a subscription. LVL tokens exchanged for subscriptions are subsequently destroyed. In exchange for the tokens, a key file is supplied which allows users to activate LevelNet services. Also, it contains information about the subscription plan type.

Number of tokens exchanged for subscription	Subscription type	Subscription duration
4,000	Corporate Private API	1 year
2,500	Corporate Private vAPI	1 year
3,000	Advanced statistics	1 year
25,000	SDK and custom custom-built	1 year
10-1,000	Business version of Endpoint Security App	1 year

12 Subscriptions are regulated by a license agreement

* Currently LevelNet is reviewing opportunities for additional subscriptions

The exchanging of tokens for subscription key files functionality will be available on the levelnet.co website in individual accounts. The following functionalities will also be available in the personal accounts:

- Exchanging tokens for subscriptions.
- The settings for the duration of the subscription and as well as its start date.
- Statistics on existing subscriptions.

Phase 2: Investment

LVLS Token Details

LVLS is a financial instrument, which in Phase 2 offers the following:

- Access to the fund's profits;
- Access to the register of fund shareholders;
- The opportunity to nominate a representative to the Board of Directors;
- The right to call an extraordinary board meeting.

The Exchange of LVL Tokens for LVLS

- LevelNet Capital plans to establish an investment fund or obtain a license to carry out investment activities.
- All LevelNet assets will be in the fund balance.
- LevelNet Inc. will issue up to 40% of shares and, under the option agreement, will transfer them under the management of the fund.
- After registration, the fund immediately begins to issue LVLS tokens (a financial instrument that gives the right to receive a share in the fund).
- Only LVL token owners can obtain the right to own LVLS tokens.
- Only LVL token holders can exchange them for LVLS tokens. For participants, up to 40% of fund ownership will be available.
- The exchange of LVL tokens for LVLS tokens will be carried out through the investor's personal account, which is accessible via orderbook.io
- All qualified LVL token holders will have the preemptive rights to purchase non-distributed LVLS. (in the USA only "qualified investors" can get LVLS tokens)
- All LVL tokens exchanged for the LVLS token are subject to cancellation.
- All exchange provisions are regulated by the Terms of Token Offering and cannot be changed.

LVLS Release

LevelNet Capital or the planned investment fund will undertake the release of a non-public LVLS financial instrument based upon blockchain technology.

The investment fund is obliged to provide LVL token holders the option to exchange their shares in the amount of up to 40% of the investment fund. The total price is equal to the amount of funds in the investment fund «Development and Implementation» .

The Investment Fund is obliged to provide this option for the exchange of issued LVLS tokens. This is in accordance with the terms in the clause concerning the conversion procedure from shares to tokens below.

Conversion Procedure

Number of **LVL tokens**	**Exchange discount over nominal value**
From 50,000 – 100,000	10%
From 10,000 – 50,000	5%
From 1,000 – 10,000	2%

The exchange of tokens for ownership in the fund is calculated by the following formula:

Share in the fund (LVLS)= Number of LVL tokens * Exchange value of the LVL token at the time of exchange / nominal value of LVLS - exchange discount.The exchange will be carried out through the investor's personal account, which will be available at orderbook.io All LVL tokens exchanged for the LVLS fund are subject to cancellation.

Valuation

To evaluate the project and subsequent LVLS token offering, LevelNet has developed a simple project evaluation system based on the conditions described below:

- The project is evaluated by the «Development and implementation» fund.
- All other obtained funds will not go into the calculating of the project price.

The market value of the LevelNet project is estimated using the following formula:

*Market Value = Development and Implementation fund * 100% / 40% of the LevelNet Fund.*

Alternative valuation = calculated from the book value of the assets of all affiliated structures of the LevelNet project.

Evaluation Disclaimers:

- **POST TOKEN OFFERING Ownership %** is the share of investment fund ownership from the second phase.
- Once the «Development and implementation» fund is formed with a funding between **$5M** to **$18.5M**, the **POST TOKEN OFFERING Ownership %** equals up to **40%** of the investment fund. Should the size of the «Development and implementation» total less than **$5M**, then the fund will transfer ownership of the participants in a proportionally smaller amount. In this case, the POST TOKEN OFFERING Ownership % will be calculated using the formula:

POST TOKEN OFFERING Ownership % = *«Development and Implementation» Fund *40%/5 000 000*

Token Distribution

The issued tokens are subject to a distribution plan described below at the time of the Token Offering:

Investors and participants	85%
Advisors and mentors	5%
Option pool	5%
Wings Platform	3%
Bounty	2%

* Tokens which are not distributed are destroyed

Bounty Tokens

To increase interest in the LevelNet system, LevelNet has developed several Bounty programs. The total number of tokens distributed by the Bounty programs on all platforms shall not exceed 2%. This is to preserve the economic interests of the participants and investors.

Wings Platform

The Wings platform is a Blockchain Crowdfunding DAO, for Wings, the dedicated tokens utilize a smart contract algorithm. They are distributed according to the following conditions:

Wings Rules

Terms	Condition		Min.limit of value	Value	Max.limit of value
1.50%	If amount collected	<=	0%	Median forecasted amount	100%
2.00%		=>	100%		125%
2.50%		=>	125%		150%
3%		=>	150%		XX

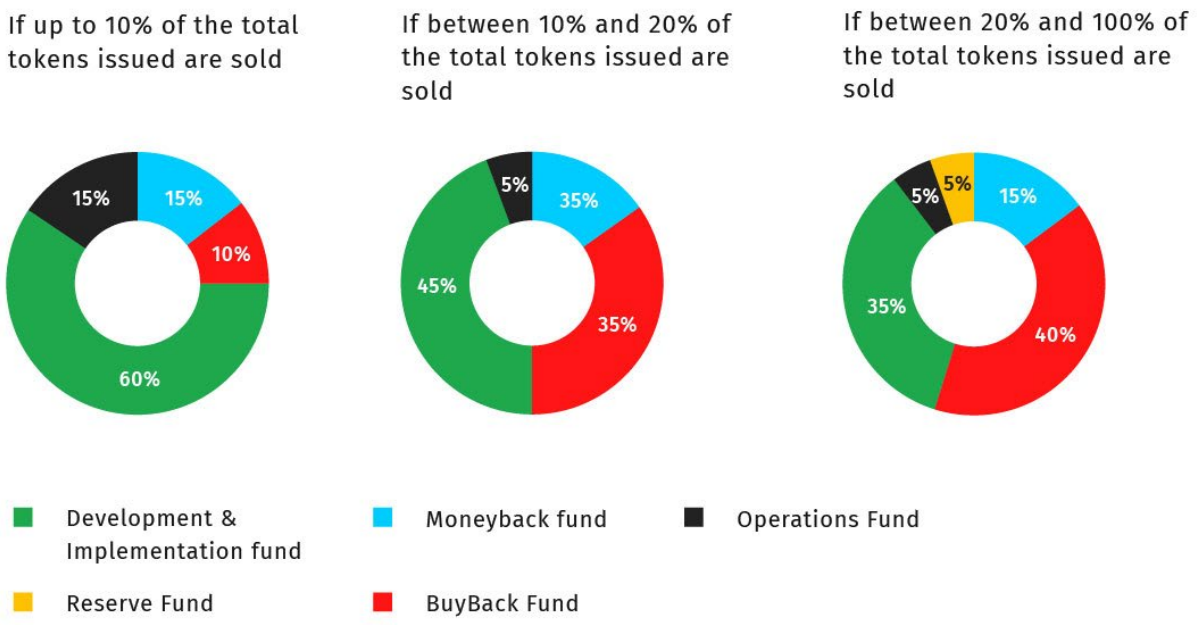
Option Pool

The option pool is reserved for a subsequent option package for employees of LevelNet Projects.

Fund Distribution

All raised funds shall be divided into funds that will be spent for the following stated purposes. The funds are established from the money raised. **The raised capital will be divided among the following funds:**

ID	Fund
1	Money Back
2	Buyback Fund
3	Development and Implementation
4	Operations
5	Reserve



The establishment of the funds depends on the the amount of issued tokens that are sold:

Buyback Fund

This fund's objective is to buy back tokens from the market. The Buyback Fund fund is created at the expense of investors.

This fund's size is dependent on the number of tokens sold during the TOKEN OFFERING. The fund's formation algorithm is as follows:

Tokens sold	% of Total Raised	Maximum fund size in $ USD
From 1 to 10%	10%	525 000
From 10 to 20%	35%	3 675 000
From 20 to 100%	40%	21 000 000

Each of the fund's assets are deposited in Escrow. For the automatic depositing of funds, this Fund is regulated by the code section of the smart contract.

All this fund's assets are used for the buyback of tokens at market prices, according to the above rules described in the Buyback Fund.

MoneyBack Guarantee Fund

This fund is formed at the investor's expense. The Money Back Guarantee Fund's size depends on the number of tokens sold during the TOKEN OFFERING. This fund's formation algorithm is as follows:

Tokens sold	% of Total Raised	Maximum fund size of Crypto Currency equivalent in $USD
From 1 to 100%	15%	7,875,000

All of this fund's assets are deposited in Escrow. For the automatic depositing of funds, the Fund is regulated by the code section of the Smart Contract.

All of this fund assets are for a one-time payment, according to the rules described in the Money Back Fund.

Development & Implementation Fund

This fund objective is the development, administration and management of the LevelNet project. A more detailed description of the fund's expenditures can be found here. The fund is created at the expense of investors. This fund's size is dependant on the number of tokens sold during the TOKEN OFFERING. This fund's formation is as follows:

Tokens sold	Sized of fund as % of total raised funds	Maximum fund size in $ USD
From 1 to 10%	60%	3 150 000
From 10 to 20%	45%	4 725 000
From 20 to 100%	35%	18 375 000

The algorithm is calculated in such a way that as more tokens are sold, the less money remains in this fund. This algorithm is structured in this way to give the LevelNet project a reasonable financial valuation for this round.

Operations Fund

In order to increase the success of the TOKEN OFFERING, LevelNet has completed agreements to allocate commission fees to our partners:

Success Fee	Project Role	Name
3%	Technology Partner	Ambisafe
2%	Design, traffic, etc.	Various Companies

All other expenses, connected specifically to legal services, PR, SMM, development, and technical support will be carried out at the time of the TOKEN OFFERING this is at the expense of LevelNet founders. Expenses related with future uses are covered by the Development and Implementation Fund.

Reserve Fund

The purpose of this fund is to cover common losses if there is an absence of other possibilities for their coverage. In such an event the covering of such losses an interest payment of 5% per annum may be paid to token holders in the case of failure of the issue and exchange of tokens for shares. The fund is formed at the expense of investors. The size of the fund depends on the number of tokens sold during the TOKEN OFFERING. The fund's formation algorithm is as follows:

Tokens sold	Sized of fund as % of total raised funds	Maximum fund size in $ USD
From 20 to 100%	5%	2 625 000

Escrow

All funds to ensure the fulfillment of the terms of the smart contracts shall be deposited in escrow with the following agents:

1. Oleksii Matiiasevych
2. Pending
3. Pending

The following Funds are to be deposited in Escrow:

- Buyback Fund
- Money Back Guarantee Fund
- Reserve Fund

Smart Contract

The smart contract that is used is an ERC20 standard token, based on Ambisafe EToken [13] contract. The source code is publicly available via github link in the footnote.

Token properties

Token Code	LVL
Contract address	0x5d78d89d4a90b7db17821d36599de1c78c7bda28
Contract source code	https://github.com/Ambisafe/etoken2
Decimal places	4
Reissuable	No
Premine amount	70,000,000
ICAP code:	LVL
ICAP organization code:	LVLC

Security

The token code that is used is well tested by multiple ICO's, including Polybius [14], TaaS [15] and Propy [16].

In the case any bugs are discovered, the EToken protocol allows for easy migration of the contract logic to a newer version without any actions required from the users.

13 https://github.com/Ambisafe/etoken2

14 https://polybius.io/

15 https://taas.fund/

16 https://propy.com/

17 https://github.com/Ambisafe/etoken2/blob/master/contracts/AssetProxy.sol#L34 and https://github.com/Ambisafe/etoken2/blob/master/contracts/EToken2.sol#L32

Pricing

To incentivize the acquisition of tokens by early investors LevelNet has developed a flexible pricing system described below. This also allows early investors to achieve subsequently higher margins. The duration of each token pricing scheme will last as long as the allocated period for each round, or the duration of the token pricing will transition when the sale of all tokens allocated to that round is completed, whichever end state occurs first [18]:

Name	Discount	Round duration	Token price ($)	Tokens for sale (%) up to	Tokens for sale (quantity)
Pre-sale*	Up to 40%	15 days	$ 0.60	30%	21000000
Round 1	25%	48 hours	$ 0.75	20%	14000000
Round 2	15%	2-10 days	$ 0.85	20%	14000000
Round 3	10%	11-15 days	$ 0.90	15%	10500000
Round 4	5%	16-20 days	$ 0.95	5%	3500000
Round 5	2%	21-25 days	$ 0.98	5%	3500000
Round 6	0%	26-30 days	$ 1.00	5%	3500000
TOTAL				**100%**	**70000000**

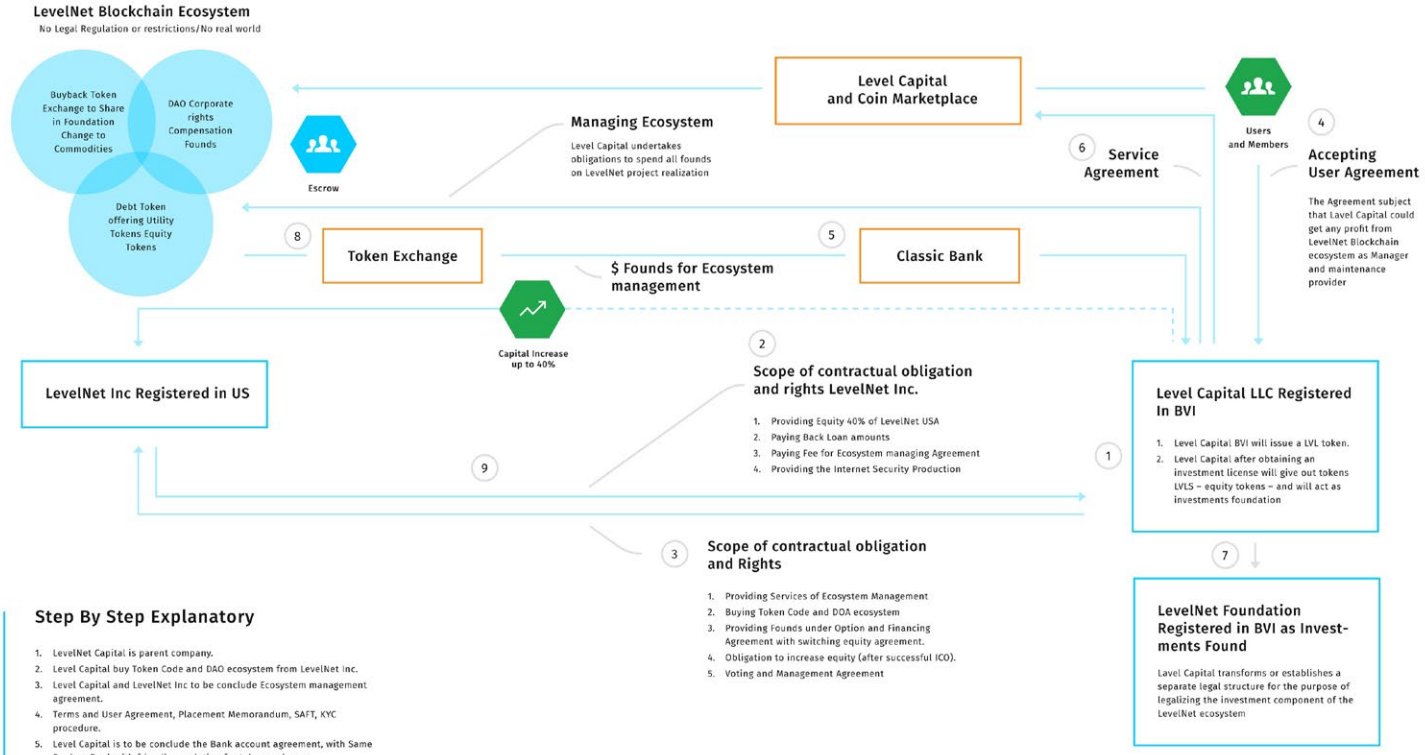
Pre-Sale Conditions

The minimum amount of a token purchase during the Pre-Sale phase is $25k in the equivalent of the BTC and ETH cryptocurrency, taking into account the following conditions:

- from $50 000 and above - with 40% discount;
- from $25,000 to $50,000 - with 30% discount.

18 If the tokens are not sold out during the round, they are passed on to the next round

Legal structure



Step By Step Explanatory

1. LevelNet Capital is parent company.
2. Level Capital buy Token Code and DAO ecosystem from LevelNet Inc.
3. Level Capital and LevelNet Inc to be conclude Ecosystem management agreement.
4. Terms and User Agreement, Placement Memorandum, SAFT, KYC procedure.
5. Level Capital is to be conclude the Bank account agreement, with Same Bank or Bank with friendly regulation for token exchange.
6. Concluding Service agreement with ITO platform.
7. LVLS token user exit in legal world could be done via User agreement and ownership of a share in LevelNet Fundation – the User could get remuneration or equity.
8. Getting Money from crypto assets exchanges.
9. Financing the LevelNet Inc.

The LevelNet Project

The LevelNet Project is an association that includes:

- The operating company based out of California;
- R&D centres located throughout the USA, Europe, Russia and Ukraine;
- The BVI parent company LevelNet Capital;
- A BVI investment fund.

The LevelNet Project

Level Capital is the owner of the LevelNet project source code, in accordance with the company's charter. It's a BVI corporation. In accordance with the Agreement and Terms Of Use, Level Capital is required to establish an Investment Fund in the Virgin Islands, or will obtain a license to carry out investment activities in the British Virgin Islands (or alternatively in the Isle of Man). The type of fund and its structure will be determined based on the number of participants.

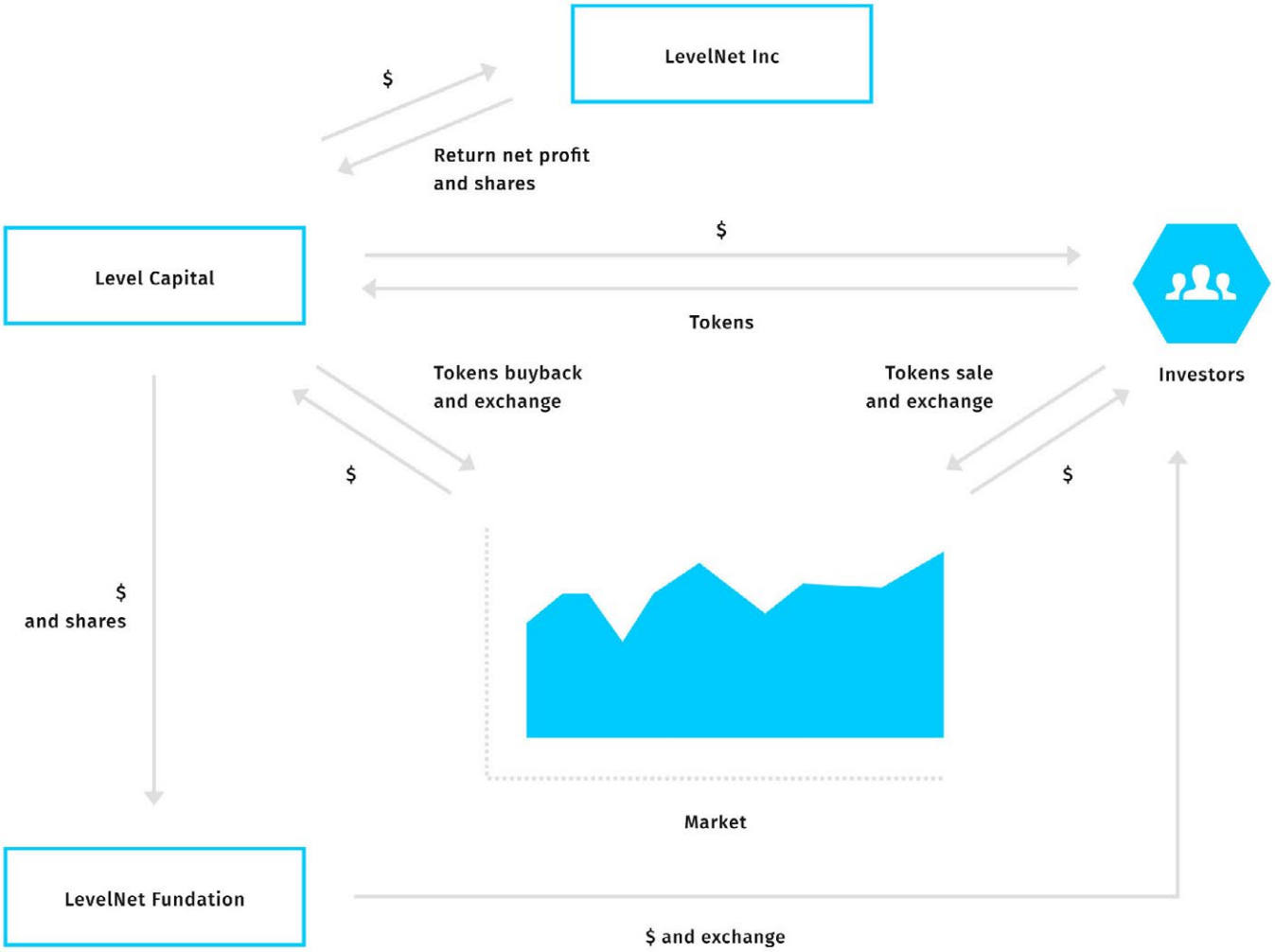
LevelNet Inc.

LevelNet Inc. is the operating company. LevelNet Inc is a registered California corporation (registered number C4046746) and a subsidiary company of LevelNet Capital. It's registered address is: 34 Peach Blossom, Irvine, California, USA.

LevelNet Foundation

The LevelNet Foundation will be an investment fund and future private limited liability company registered in the British Virgin Islands or the Isle of Man. It will be licensed as a mutual fund to raise investment and provide the funds to realize LevelNet's business plans. It is the profit center and the holder of all LevelNet financial assets. Ownership of up to 40% of the Fund will be divided amongst participants. The members of the LevelNet community are owners and active participants in the LevelNet Project.

Investment Structure



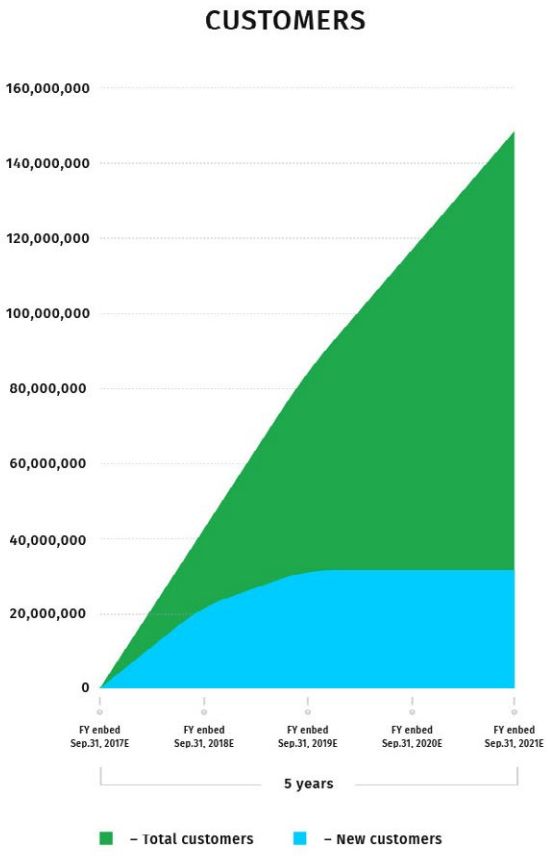
The LevelNet Roadmap

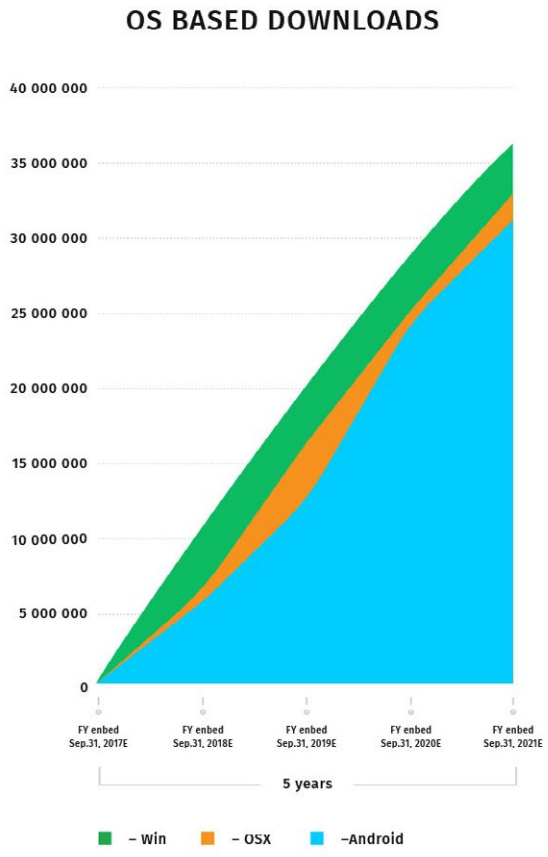
Milestone	Date
Idea born	May-June 2016
First prototype	August 2016
Business model, Marketing strategy, etc.	September 2016
Expert reaction and overview	October 2016
First modeling p2p network	November 2016
Start of backend design	November 2016
Target audience surveys	December 2016
Friend and Family Round	February 2017
Prototyping backend on Google Cloud platform	April 2017
Second prototype. Choice of a contractor for back-end development.	May 2017
Start preparation for crowdfunding	June 2017
First public announcement (tech white paper, presentation, etc.)	June 2017
Pre-sale TOKEN OFFERING	November 2017
Initial Coin Offering	November 2017
LVL Token Listing Starts	December 2017
Start Payout	January 2018
Close of Alpha Version	May 2018
Start of LVL Token Exchange	June 2018
LVLS Token Listing in Exchange 1	June 2018
LVLS Token Listing in Exchange 2	July 2018
End of LVL token exchange period	August 2018
Open Beta Version	August 2018
Election of board members from among LVLS token owners	September 2018
Release candidate Version	October 2018
RTM	December 2018

Financial Model and Valuation

User Growth (Non-financial metrics)

LevelNet projects a impressive growth rate of its user base beginning in Q4 2018. We forecast 40M members by Q4 2019, 85M by Q4 2020 and approximately 110M by Q4 2021:



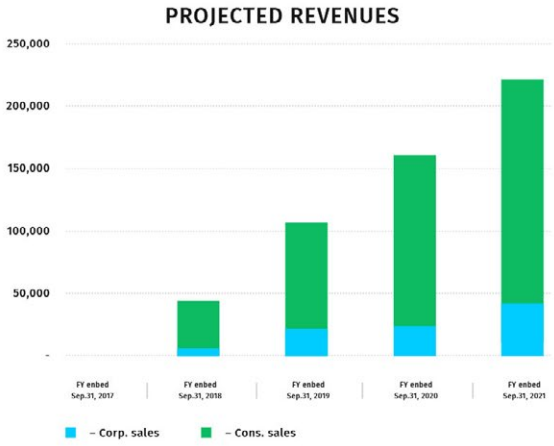


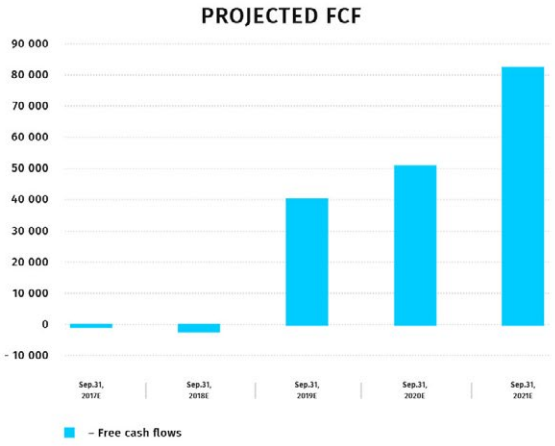
The number of API and SDK users (corporate customers) is also expected to grow exponentially - over 15,000 customers for the former and 100,000 for the latter by 2020.

Financial Metrics

Financial performance (1/2)

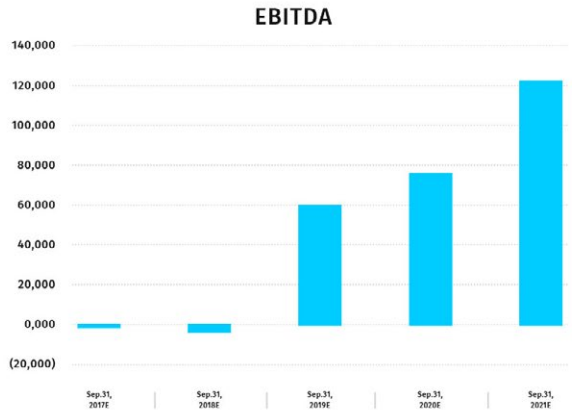
We project the company's revenues to reach $220 MLN by 2022, generating $80 MLN in free cashflow.

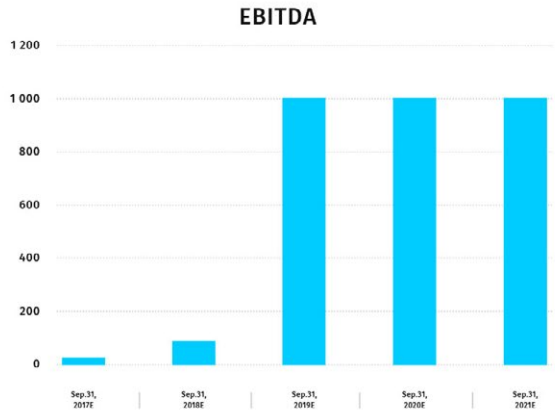




Financial performance (2/2)

EBITDA will reach $120 MLN in 2022. LevelNet's user of system virtualization and peer-to-peer network technology will ideally keep capital expenditures within $1 MLN annually:





Financial Valuation

Unlike many internet companies, LevelNet projects to generate significant profits for shareholders in relatively short time. For this reason, LevelNet is valuing the company using a traditional DCF (discounted cash flow) model. This yields a valuation of between $583 MLN and $1268 MLN:

Valuation	Enterprise Value	Net Cash (Debt)	Equity Value
DCF	$415-491 MLN	$168 MLN	$583-659 MLN
Comparable Companies	$770-1100 MLN	$168 MLN	$938-1268 MLN
Range	$415-1100 MLN	$168 MLN	$583-1268 MLN

LevelNet is currently seeking to raise between $1.5 to approx. $55 MLN to finance the launch of the LevelNet Network. Investors and participant in the initial token offering (phase 2) may reach an ownership level of up to 40% in LevelNet. With funding of $18.5 MLN, that would value the entire company at $46.25 MLN.

If a $1 billion valuation is reached, investors stand to earn a return of 2062% over 4-5 years, equivalent to a CAGR of 84.9%.

Our Team

Our founding team has worked together for ten years on complex cybersecurity software development projects. LevelNet has the premier talent in programming, cryptology, compiler design, system programming, software architecture, binary hacking, malware design, and analysis. Our software engineers have experience working with industry leaders such as Kaspersky, FireEye, AMD, Intel security, McAfee, and Checkpoint among others.

Management and Administration

Pavel Shkliaev

CEO/Founder

- Security design & analysis
- Security software architect
- Multiple tech startups in the USA and Russia

https://www.linkedin.com/in/pavel-shkliaev-88a5b9124/
https://angel.co/pavel-shkliaev-1

Alex Bodiagin

CTO/Founder

- Networking & driver development
- Security software architect
- System programming

https://www.linkedin.com/in/alexander-bodiagin-9275b9124/
https://angel.co/alex-bodiagin

Anton Aksenov

COO

- Successful Entrepreneur
- MBA
- International operations

https://www.linkedin.com/in/anton-aksenov-941553b3/
https://angel.co/anton-aksenov

Arthur Eolyan

CLO

- Tax Law
- Corporate Law
- International Law

https://www.linkedin.com/in/arthur-eolyan-a1b29940/

Tech

Ivan Krivonos

Software Engineer

- Linux System Developer
- Security design
- Osx system developer
- Hypervisor Architect

https://www.linkedin.com/in/ivan-krivonos-33168317/
https://angel.co/ivan-krivonos

Alexey Kudryavtsev

Software Engineer

- Windows low level developer
- Malware researcher
- Security software architect

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https://angel.co/alex-kudryavtsev

Alexander Volkov

Software Engineer

- Windows Low level developer
- Authoring 0day exploits
- Malware researcher

https://www.linkedin.com/in/alexvx/
https://angel.co/alexvolkov

Andrey Baranovich

Security Engineer

- Binary hacker
- Security researcher
- Linux system developer

https://www.linkedin.com/in/andrey-baranovich-29023855/
https://angel.co/andrey-baranovich

Goshko Stanislav

Security Engineer

- Security researcher
- Strong assembler developer
- Binary hacker

https://www.linkedin.com/in/stas-goshko-aa11bb130/
https://angel.co/goshko-stanislav

Boris Solovyev

Software Engineer

- System developer
- Malware research
- Automatization

https://angel.co/boris-solovyev

Anton Leshchenko

Software Engineer

- Linux system developer
- Networking & driver development
- Embedded systems

https://www.linkedin.com/in/anton-leshchenko/
https://angel.co/antonl1911

Ivan Novikov

Traffic and Data analysis

- SEO
- Google Analytics
- Advertising

https://www.facebook.com/profile.php?id=100001629368152

Partners and Advisors

Dave Anderson

Former Director Solutions Marketing

McAfee, Voltage Security

Broad experience in all aspects of growing companies including strategy, sales, and operations, from successful startups to Fortune 50 companies.

https://www.linkedin.com/in/dave-anderson-795a194/

Nick Bilogorskiy

Sr. Director, Threat Operations at Cyphort, ex. Chief Malware Expert @ Facebook

A founding team member at Cyphort, a next-generation anti-malware startup, and is currently leading threat operations there. He came to Cyphort from Facebook where he was the chief malware expert and a security spokesperson for the company.

https://www.linkedin.com/in/bilogorskiy/

Wings Platform

The Blockchain Crowdfunding DAO

A decentralized platform to create, join and manage projects

https://www.wings.ai/#!/home/discover

Ambisafe

Ethereum Asset Platform

Engineering, strategy, legal and marketing services to perform your ICO

https://www.ambisafe.co/services/

Daniel Fadeev

Marketing and data analyst

- Administration
- Successful Entrepreneur
- International communications

https://www.linkedin.com/in/fadeev-danil-7050a048/

Tatiana Abgarian

Corporate Counsel

Productive, versatile attorney with more than 10 years of international business experience.

https://www.linkedin.com/in/tabgarian/

Lemon Digital

Creative agency

Lemon Digital is a world class creative design agency who have collaborated with top 50 ventures

http://lemon.bz/

Estera

Fiduciary and administration services.

Estera is a world-leading global provider of fiduciary and administration services.

http://estera.com

Andrey Zamovskiy

Chief Blockchain Architect

Ethereum Architect, CEO, Ambisafe, Inc

https://www.linkedin.com/in/nixoid/

Diceus

Enterprise Software Development Company

Diceus is a leading enterprise product development and service company headquartered in Vilnius, Lithuania, and Kiev, Ukraine.

http://diceus.com/

APPLEBY

Appleby Inc

Law firm

Appleby represents combined ingenuity and talent from the most significant international offshore financial centers. Focused on the development of new products and the provision of effective service to its many international clients.

http://applebyglobal.com/

Oleksii Matiiasevych

Technical Partner/Smart contracts engineer

A white-hat hacker, with years of experience in the blockchain space.

https://www.linkedin.com/in/lastperson/

Orderbook by Ambisafe

Orderbook

ICO platform

A trading platform for Ethereum-based tokens

www.orderbook.io

Kris Kaspersky

RIP

Security Expert Senior Reverse Engineer McAfee, Check Point Software Technologies

A white-hat binary hacker, cyber security expert

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Supplemental Documents

All documents are accessible by https://levelnet.co/#documents

- Pitch Deck
- Long Presentation
- Executive Summary
- Tech documentation
- Provisional patent confirmation
- Financial Model & Headcount & Development Plan
- Memorandum of Information
- LVL Token Offering Terms & Conditions

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