**Factum – Business Plan**

**1. Executive Summary**

Factum combats misinformation by using a dual-layer validation system combining Proof of Stake (PoS) and Proof of Authority (PoA). Submitters provide content, which validators assess by staking tokens. Larger stakes carry more voting weight, but diminishing returns prevent centralization. If a supermajority (≥66%) is reached, the content moves to PoA, where a trusted group of validators provides final validation, ensuring accuracy and guarding against coordinated manipulation.

Factum’s tokenomics incentivize truthfulness. Submitters and validators are rewarded based on the quality of submissions and accuracy of votes, with false or low-quality content penalized through slashing. Tokens are distributed via an Initial Token Offering (ITO), and block rewards decrease over time to control inflation.

To minimize its carbon footprint, Factum uses PoS, which is energy-efficient, and Merkle trees, which batch content for efficient blockchain storage, reducing computational demands as the platform scales. Factum’s semi-decentralized approach balances open participation with authoritative oversight, ensuring both security and transparency while maintaining scalability and sustainability.

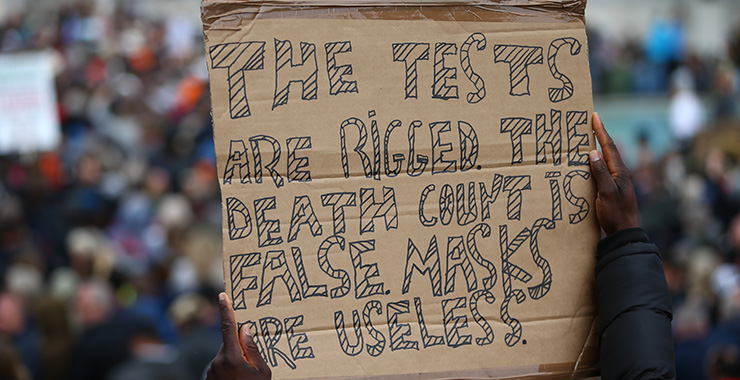
**2. Introduction**

In today’s digital age, misinformation is a pervasive issue, impacting societies worldwide. Social media and news platforms, while powerful tools for disseminating information, have also become breeding grounds for deception. Fake news can be difficult to identify and is prone to continuous sharing among the public unknowingly. This phenomenon transcends geographies, affecting democracies, public health, and social cohesion.

Political disinformation has been used to manipulate election results and sow discord. Similarly, health-related misinformation, prevalent during the pandemic, has led to widespread public health crises, undermining trust in scientific communities and endangering populations. Misinformation on COVID-19 was so pervasive that even severely affected patients claimed it was a hoax. In March 2020, nearly 30% of U.S. adults believed the Chinese government created the coronavirus as a bioweapon, and by June, a quarter believed the outbreak was intentionally planned by people in power. The spread of falsehoods contributed to vaccine hesitancy, with many reluctant to get vaccinated due to false claims about the safety and efficacy of COVID-19 vaccines.

Current solutions to combat misinformation, including fact-checking and content moderation, often fall short due to inherent biases and a lack of transparency. These methods are typically centralized, making them vulnerable to manipulation and censorship, further eroding public trust.

There is a pressing need for a more reliable approach. Decentralized solutions offer a promising alternative, leveraging the collective power of communities to validate information. Blockchain technology, in particular, provides a robust framework for ensuring transparency and preventing tampering. By recording information on an immutable ledger, blockchain can help verify the authenticity of content and maintain the integrity of information shared across platforms.





**3. The Factum Solution**

Misinformation is exceedingly cheap to produce and promote and financially lucrative. Whether malefactors profit from clicks, reposts or something further up the value chain, there is a clear profit motive. Conversely, interacting with fake news and going through a debunking process is exhausting and time intensive. We live in a world where all the profit vectors suggest one should just generate viral content irrespective of societal impact. Factum, at its core, flips the incentive to create, distribute and amplify misinformation on its head.

Why the blockchain works - first, through participation in Factum, individuals implicitly consent to attribution and immutability. When a user submits content to Factum’s blockchain, their identity is recorded, whether or not it’s concurred by the network. Thus, consumers no longer need to wonder where stories originate. This pushes back against the anonymous nature of platforms like Telegram, where content seems to “appear” and then propagates.

Further, the blockchain never forgets. A user’s history, whether submissions or voting record, aggregates into a reputation. Any user can access the ledger and check the background of another.

Immutability also solves the growing concern over digital editing and “deep fakes.” Even large media companies with demonstrated histories of truthful reporting can be complicit. In 1994, Time Magazine published a digitally altered version of OJ Simpson’s mugshot where his skin tone was made noticeably much darker[[1]](#footnote-1). This issue is far more prolific in distributed broadcast channels like social media, and Factum’s simple API solution can virtually costlessly verify an image’s authenticity and context.

Factum algorithm and consensus mechanism - Factum uses a Proof of Stake mechanism where validators must stake tokens in order to provide judgment. The larger the stake, the more weight their vote has. Factum uses a logarithmic equation which strongly weights initial increases in tokens staked, but eventually returns a negligible marginal increase at high stake points. This is necessary to throttle the threat of capital accumulation, and the efficacy of large organizations (governments, businesses etc.).

When content is submitted to the network, a running clock begins and users have a fixed amount of time to stake tokens validating that content. The algorithm accounts for network congestion where instances with high users present have the cutoff time for voting decreased.

At the end of the voting period, the content is submitted for final validation if it has received a supermajority of staked tokens determining that the content is true or false. (defined as ≥66%).

Final validation occurs through a Proof of Authority mechanism. When content reaches a supermajority, it reaches Tier 1 approval. Factum’s algorithm then randomly assigns final validation authority to a representative sample of active highly trusted users. These users are identified through a history of consistently verified actions, and total token balance. Final validation is randomly assigned to prevent bad-actor coordination. When a hypermajority (≥90%) of final validators concur, then the content is published in the ledger.

As an incentive for participants to act in good faith, Factum uses a slashing mechanism. Here, after final validation, tokens staked on the losing side, are redistributed to those who staked tokens on the opposite side. In this way, promoting misinformation is extremely costly and self-balancing.

**4. Tokenomics**

In Factum’s token economy, both content submitters and validators are incentivized to act in good faith, with mechanisms designed to manage inflation and discourage manipulation or low-quality contributions.

Factum will start with Initial Token Offering (ITO), establishing a base token supply that will be gradually released as the platform grows. None of the tokens will be reserved for its founders or well-funded believers. Factum’s protocol will introduce additional tokens as content is immortalized in the ledger. Each block that gets published will generate a fixed reward of tokens, distributed between submitters and validators. To manage inflation, the reward per block decreases over time, ensuring fewer tokens are released as the platform matures. This decaying issuance model aligns the token supply with platform activity, ensuring sustainable growth without excess inflation.

Submitters are rewarded based on the quality of their content. High-quality, validated submissions earn a larger share of the block reward, while false or misleading content results in reduced or no rewards, and may even incur penalties through slashing. Importantly, users can also submit content with the explicit intent of proving it false. This allows Factum to serve not only as a truth-validation platform but also as a means of debunking misinformation, further strengthening the integrity of the ecosystem.

Validators earn rewards based on their stake and the accuracy of their votes. Validators who align with the final consensus receive rewards from the block’s prize pool, while those who vote incorrectly are subject to slashing. Slashed tokens are redistributed to correct validators, creating a self-balancing system that rewards honest participation and discourages manipulation.

**5. Competitive Analysis**

In the competitive landscape of blockchain and decentralized projects tackling misinformation, Factum's dual-layer validation system, which incorporates Proof of Authority and Proof of Stake, offers a distinct advantage by blending authoritative validation with community-driven verification.

Competitor ‘Factom’ (note different name) uses blockchain to preserve the integrity of documents, ensuring that once recorded, information remains unaltered. However, its focus on static data makes it less suitable for the real-time social media and news content validation that Factum addresses. By using both PoA and PoS, Factum offers a more flexible approach to content verification, accommodating dynamic digital content across various platforms.

Safe.pressverifies news articles through a blockchain-based "digital seal of approval," relying on trusted sources to validate content. Although it ensures the authenticity of information from established media, Safe.press lacks a decentralized, community-driven verification mechanism, limiting its ability to engage broader user participation. Factum, in contrast, integrates PoS to allow users to stake tokens in verifying content, ensuring a more inclusive and resilient system for identifying misinformation.

Decentralized social platforms like Minds and Steemit offer content-sharing and reward systems based on user engagement, but they do not focus on structured content validation. While Steemit uses a stake-weighted voting system to reward content curation, its primary aim is incentivizing contributions rather than validating the truthfulness of information. Minds supports free speech with minimal content restrictions, making it prone to misinformation due to the lack of a systematic verification process. Factum's PoA and PoS mechanisms provide a more robust framework for assessing content accuracy, going beyond simple user rewards to ensure the integrity of shared information.

Mastodon, an open-source, decentralized social network, allows users to join servers with different content moderation policies. However, it does not have a standardized system for verifying the accuracy of information across the network. Factum’s combined PoA and PoS approach, on the other hand, ensures content validation from both authoritative sources and the broader community, providing a structured and reliable system for combating misinformation.

Traditional fact-checking platforms like Politifact and Snopes rely on centralized teams of researchers to validate information. While these platforms are reputable, they face scalability limitations during peak information periods, such as elections, and can be accused of bias due to their centralized nature. Factum’s decentralized PoS mechanism allows for scalable, transparent verification by involving the community, while its PoA framework ensures that content is vetted by recognized authorities, addressing some of the limitations associated with centralized fact-checking.

The PoA mechanism allows trusted news platforms and content creators to stake their reputation on the accuracy of their information, creating a strong deterrent against the spread of misinformation. Meanwhile, the PoS mechanism empowers the broader community to participate in content validation, ensuring that no single entity can dominate or manipulate the verification process. This dual approach enhances both transparency and scalability, addressing the limitations of traditional fact-checking platforms and positioning Factum as a leader in the fight against misinformation.

**6. Sustainability & Carbon Footprint Strategy**

At the heart of Factum’s approach to minimizing its carbon footprint is the use of a PoS consensus mechanism, which is inherently more energy-efficient than traditional Proof of Work (PoW) systems. Unlike PoW, which relies on energy-intensive mining operations, PoS uses validators who stake tokens to secure the network, significantly reducing the computational power required and thus minimizing environmental impact. This ensures that as Factum scales, its operations remain sustainable and aligned with our commitment to reducing carbon emissions.

In addition to PoS, Factum further optimizes efficiency through the use of Merkle trees to process and validate news content. Since news breaks unpredictably, Factum organizes each story as a unique hash, or leaf, in a Merkle tree. This allows multiple stories to be batched together and collectively published on the blockchain, reducing the number of transactions needed to maintain the ledger. By batching content in this way, Factum decreases the computational load, ensuring that growth in the platform does not equate to a significant increase in energy use. Together, the PoS mechanism and Merkle tree structure create a resource-efficient system that balances scale and sustainability

**7. Risk Assessment & Mitigation Strategies**

Our implementation of a mostly decentralized tokenized system for content validation introduces several risks, including token speculation, system manipulation, and a broader mistrust in the system.

The concern that users might treat tokens as speculative assets rather than tools for honest validation is understandable, but unfounded. While we believe strongly in the core utility of Factum, we acknowledge that others will view this as a reason to simply buy and hold. From this perspective, this will simply impose greater costs on individuals that seek to introduce or amplify misinformation. We believe Factum tokens are valued closely to their NPV of their future utility in establishing truth.

While Factum’s consensus mechanism imposes costs on individuals submitting knowingly false content, there are additional safeguards that monitor network activity. Network parameters constantly assess submissions using a proprietary machine learning technique to identify low effort / low potential posts. The Factum application will effortlessly sort and bump submissions that align with high trust and high fidelity.

Lastly, while we acknowledge that Factum is not fully decentralized, we believe this balance is critical for ensuring both security and integrity. The initial validation process thrives on decentralization, leveraging the collective insight of the community to scrutinize content openly and transparently. However, the introduction of a more centralized Proof of Authority (PoA) validation is a deliberate safeguard against sophisticated, unforeseen attack vectors that a fully decentralized system might struggle to address. This second layer protects the network from coordinated manipulation while preserving the core values of decentralization where they matter most. By combining decentralized participation with targeted centralization, Factum ensures both the pursuit of truth and resilience against bad actors, ultimately reinforcing the integrity and reliability of the system.

**8. Revenue Streams**

Factum has two main revenue streams:

1. **Transaction Fees from Individual Users:** Factum charges a small fee for each content validation performed by individual users. This approach leverages the platform's blockchain-based validation process, ensuring that participants contribute to a sustainable ecosystem while incentivizing engagement. As the platform grows, the number of validations is expected to increase significantly, driving a steady stream of revenue from user activity.
2. **Enterprise API Access:** Factum offers an API service for enterprises, including social media platforms, news organizations, and institutions. This allows them to validate content, conduct audits, and generate analytics directly through the platform. By targeting enterprise clients, Factum establishes a scalable and recurring revenue source while supporting large-scale adoption of its content validation services.

**9. Strategy and Implementation Plan**

Factum’s strategy focuses on establishing itself as the leading decentralized platform for misinformation validation. In the first two years, the priority will be to develop and launch the platform, complete with blockchain infrastructure, dual-layer validation (Proof of Stake and Proof of Authority), and APIs for enterprise clients. A key focus will be onboarding validators and individual users, supported by incentive structures and targeted marketing campaigns. Simultaneously, we will secure initial enterprise customers, positioning Factum as a trusted partner for content validation and analytics.

By years 3 to 5, Factum aims to scale significantly, targeting tens of millions of annual user validations while expanding its enterprise customer base globally. We will enhance platform features, such as advanced analytics and multilingual support, to attract larger enterprises and build credibility through partnerships with governments, regulatory bodies, and media organizations. The combination of individual user growth and enterprise adoption will drive revenue while ensuring scalability and sustainability.

The success of this strategy will be measured by KPIs including user engagement, enterprise adoption, and revenue growth, ensuring Factum’s position as a trusted leader in tackling misinformation.

**10. Revenue Projections**

We forecast a 5-year ramp up plan to achieve $30m in annual revenue. This is modelled in the table below under the following assumptions: (i) each individual user validation will earn an estimated $0.25 (accounting for inflation in value of tokens); (ii) we will charge enterprises $10,000/year for API access.

A table with numbers and numbers

Description automatically generated

**11. Cost Allocation and Funding Request**

Factum is seeking **$750,000** in seed funding in exchange for a **20% equity stake** in the company. This initial funding will support the development and growth of the platform, allowing Factum to achieve key milestones and position itself for long-term success

The funds will be allocated to cover our costs:

* **40% ($300,000):** Technology development, including scaling blockchain infrastructure, API development, and analytics tools
* **30% ($225,000):** Marketing and partnerships to secure enterprise clients and build brand awareness
* **20% ($150,000):** Validator onboarding and community building to drive user engagement and adoption
* **10% ($75,000):** Operational expenses, including legal, compliance, and administrative costs

This investment will enable Factum to achieve early traction among individual users and enterprise customers while laying the foundation for scalability and future revenue growth. With this funding, Factum aims to become the trusted leader in content validation within the Web3 ecosystem.

**12. Factum Leadership Team**

**CEO: Arya Ondaatje** brings a strong background in technology and venture capital, having previously worked in a Web3-focused VC fund. Her experience provides invaluable insight into emerging market trends and the perspectives of investors, positioning the team to navigate the rapidly evolving Web3 ecosystem.

**CFO/COO: Armaan Israni** leverages deep expertise in strategy and operational execution, with a strong foundation in finance. His background includes leading complex projects that drive digital transformation and operational efficiency. Armaan’s strategic approach ensures Factum’s solutions are both practical and scalable, while his financial acumen helps maintain a focus on sustainable growth.

1. Felicity Barringer, "Time Responds to Criticism Over Simpson Cover," *The New York Times*, 25 June 1994, [www.nytimes.com/1994/06/25/us/time-responds-to-criticism-over-simpson-cover.html](http://www.nytimes.com/1994/06/25/us/time-responds-to-criticism-over-simpson-cover.html). [↑](#footnote-ref-1)