



A Fintech Revolution for the Cannabis Marketplace

Presented by Brian Ortencio

“Legal Cannabis, an industry shunned by banks, and Blockchain, the technology that disintermediates them as a perfect synergy between two emerging forces, and the business solution to bring them together.” – Brian Ortencio, COINABIS Founder

WHITEPAPER ver. 1.5 - COINABIS INC. – December 2017

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I. Introduction

Overview

During the U.S. Prohibition era (1920-1933), we saw liquor banned in every shape and form. It wasn't until Franklin D. Roosevelt championed Prohibition repeal in 1933, the potential of the liquor trade to create jobs, revenue growth and help lift the nation out of the Great Depression was realized.

In 2017, is history is repeating itself?

Since 1996, we've seen 29 of 50 states legalize various forms of Cannabis for medical and recreational use, along with Hemp and CBDs (*aka Cannabinoids*). 8 states allow residents recreational cannabis use, with California coming online early in 2018 and more states expected to follow.

The legal Cannabis movement coincides with growing awareness of the many benefits a legitimate marketplace offers:

- Replaces an estimated \$54bn illegal US trade with a regulated industry offering jobs, tax revenue, and crime reduction.
- Medical marijuana is a non-invasive remedy for patients suffering the effects of chemo, depression, epilepsy, glaucoma, and chronic pain.
- Offers a viable medical alternative to Opioids (pain relievers, heroin, fentanyl) which have contributed to over 180k overdose deaths in the past 16 years.
- Promotes promising new business models, e.g. High-Tech Supply Chain Integration (NFC, RFID, BLE), Secure ID & Doc Management, Crypto wallets and banking, decentralized secure networks, Smart contract vendor management, Blockchain enabled regulation (e.g. AML/KYC) etc.

With America's growing acceptance of legal Cannabis, the opportunity for job growth, tax revenues, and high-tech business enablement exhibit many parallels with the repeal of prohibition nearly a century ago.

Industry Challenges

As an emerging growth industry, legal cannabis has tremendous upside but also faces many challenges. ***Blockchain was designed to solve these exact challenges.***

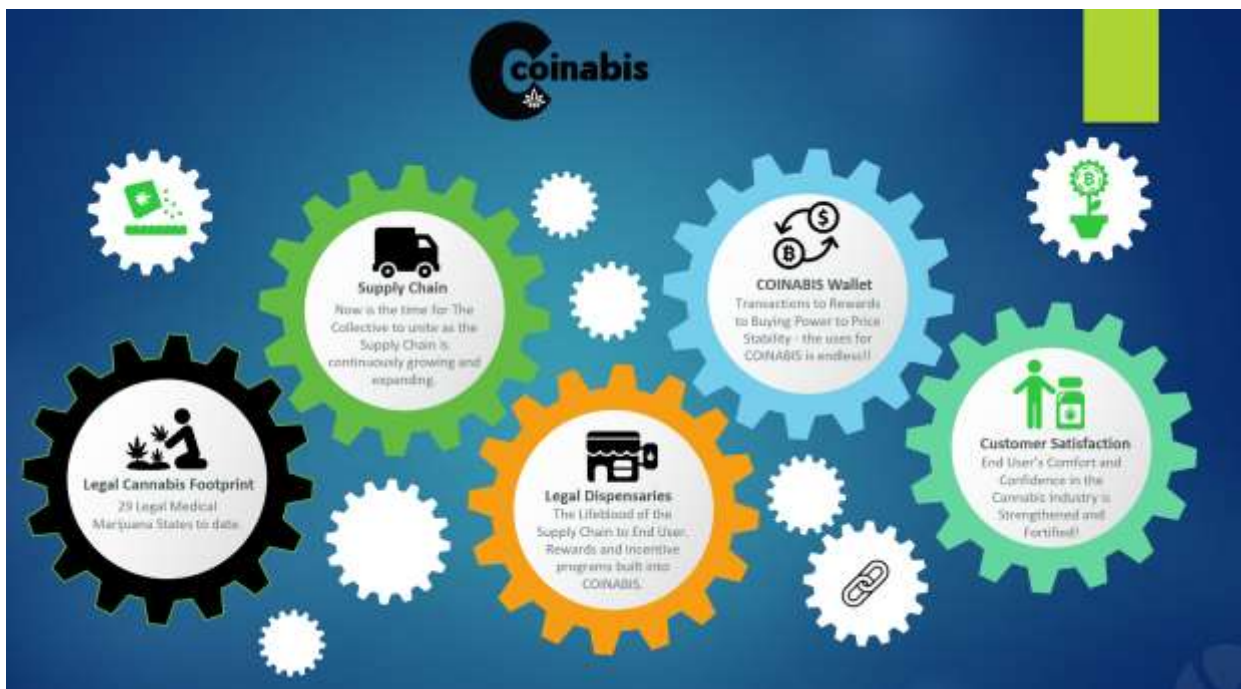
- 1) **The industry is “Unbanked”** - Medical Cannabis is legal in 29 of 50 states but still illegal at a federal level. As a result, federally chartered banks, credit card companies and payment services have shunned the Cannabis market creating an ***urgent need for a non-bank solution.***
- 2) **State DRS Tax Penalties** – Cash businesses are heavily discouraged by each state’s Department of Revenue Services (DRS). To encourage tax compliance, DRS taxing authorities impose substantial penalties on any cash based businesses. The penalties range from 10% in California to 25% in Oregon, ***creating immediate benefit for a token based solution.***
- 3) **No Electronic POS** – Dispensary owners cannot accept credit or debit cards which forces customers to be on a cash only basis. The inconvenience makes it difficult for store owners to automate ***loyalty programs & product promotions.***
- 4) **Cash Holdings Risk** – The “cash only” stigmatism is known throughout the industry which exposes businesses, employees and customers to unnecessary risk of loss, robbery, and fraud. ***Hawaii recently mandated a non-cash option.***
- 5) **Regulatory & Tax Compliance** – The industry is heavily regulated with mandatory reporting, record keeping, audit trails, etc. ***Businesses need to implement and maintain quality records with regards to AML/ KYC, transaction history, and tax records.***
- 6) **Supply Chain Logistics** – Cannabis has a finite lifespan and varying degrees of quality. It’s important to ***track the quality and provenance as products move thru the supply chain.***

Coinabis Mission

Our mission is to create a fully integrated Cannabis marketplace powered by Turing complete proprietary solutions with a blockchain *Coinabis* token (ERC20 standard) driving transparency, efficiency, and responsible compliance.

The Vision

Our company plans to launch an integrated blockchain marketplace based on our proprietary hybrid token, Coinabis (asset backed with built-in smart contracts). The Coinabis blockchain will support point of sale SPV mobile apps for consumer payments, cashless cash registers for dispensary owners, sales tax collection and vendor payments, payroll services, a proprietary trade exchange supporting logistics, NFC tracking and payments for the entire cannabis industrial ecosystem.



The Coinabis blockchain ledger will be used to record, track, and verify transactions of virtually anything in the marketplace which holds value. Every time a product changes hands, the transaction will be documented, creating a permanent history of the transaction, from manufacture to sale. This will dramatically reduce time delays, costs, and human error that plague the industry today.

Recording the quantity and transfer of assets as they move between supply chain nodes is vital to an efficient marketplace. The Coinabis marketplace will allow the supply chain to track purchase orders, change orders, receipts, shipment notifications, and other trade-related documents. Physical goods will be linked to serial numbers, bar codes, digital tags e.g. NFC, BLE, RFID. Provenance will be clearly established throughout the supply chain.

Why is Coinabis different from other ICO's and competitors?

Blockchain Gang takes a holistic view of the Cannabis marketplace offering front to back solutions starting at the beginning of the supply chain all the way thru distribution, customer experience, vendor payments, payroll and state regulation.

- The Coinabis marketplace is based on a front to back view of the Cannabis industry emphasizing.
- Coinabis offers a first of its kind hybrid token that is not available thru any other blockchain offering.
- The management team and advisors are highly experienced with a proven track record in financial technology, banking and the cannabis industry.
- Industry connections will expedite adoption rates within the supply chain including farmers, dispensary owners, crypto banking and alliances with Indian reservations.

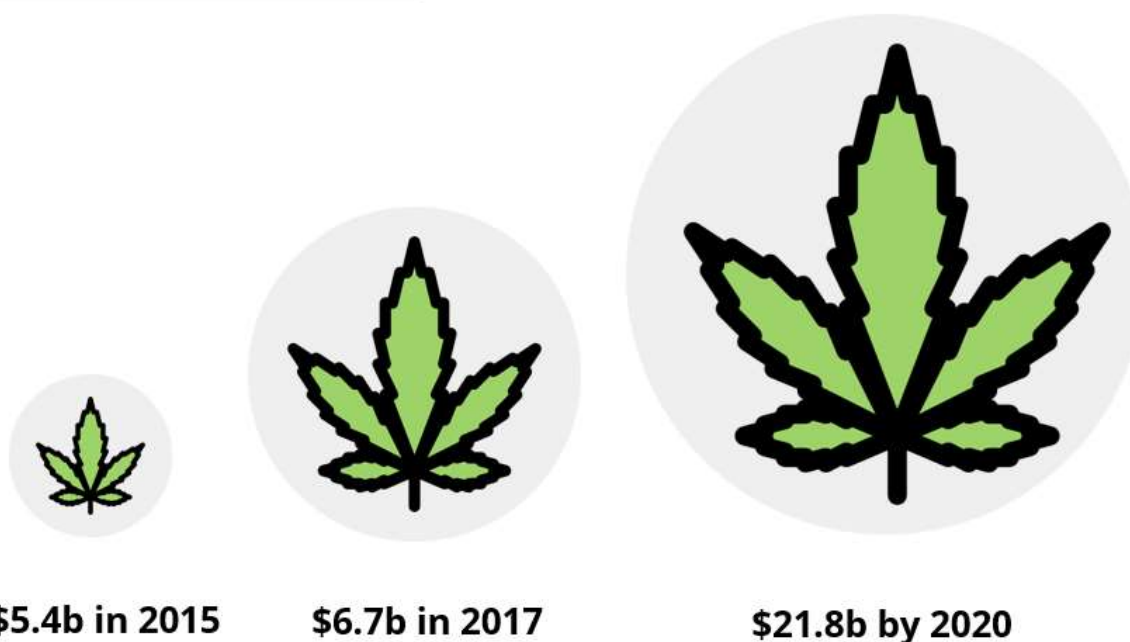
The game is changing. The Time is now.

II. The Cannabis Marketplace

Industry Size

The Legal Cannabis market is booming with sales today exceeding \$7 billion annually, and expected to grow to \$25 billion over the next 7 years. The remaining illicit Cannabis industry is estimated at \$54 billion, and likely to convert to legal at double digit compound annual growth rates (CAGR) over the next decade.

CANNABIS MARKET



Legal Cannabis Sales in the United States in the Billions

- US Cannabis market is projected to create over 280k jobs by 2020.
- Cannabis market sales to exceed 24bn by 2025.
- Legal Cannabis market is estimated @ 7.2bn in 2016 and projected to grow at a CAGR of 15%.
- The medical marijuana market is projected to grow by 12% CAGR through 2025.
- The 54bn illicit cannabis industry is expected to convert to legal at double digit growth rates.

Government Regulation

The Cannabis marketplace opportunity today is based on dysfunction at the state and federal banking level, which has created an urgent need for disintermediation to happen quickly.

Legal Cannabis Compliance

Coinabis advisors and counsel will follow and review local and federal regulations to ensure strict compliance in any dealings or relations to Legal Cannabis. Coinabis is prioritizing the first 8 states where Recreational Marijuana is legal, starting with California and Colorado, and then scaling to the remaining 21 states that observe Legal Cannabis. Scaling efforts on regulatory reviews will expand as new states enact legislation to legalize cannabis.

Coinabis is incorporating identity verification technology (IDV) into our blockchain solutions to promote transparent and verifiable data for legal cannabis business operators.

III. Coinabis Token Value (CTV)

The Coinabis token is a unique hybrid and the first of its kind. The patent pending solution applies investment banking theory for asset ownership and custody to a transaction flow business with a blockchain inventory.

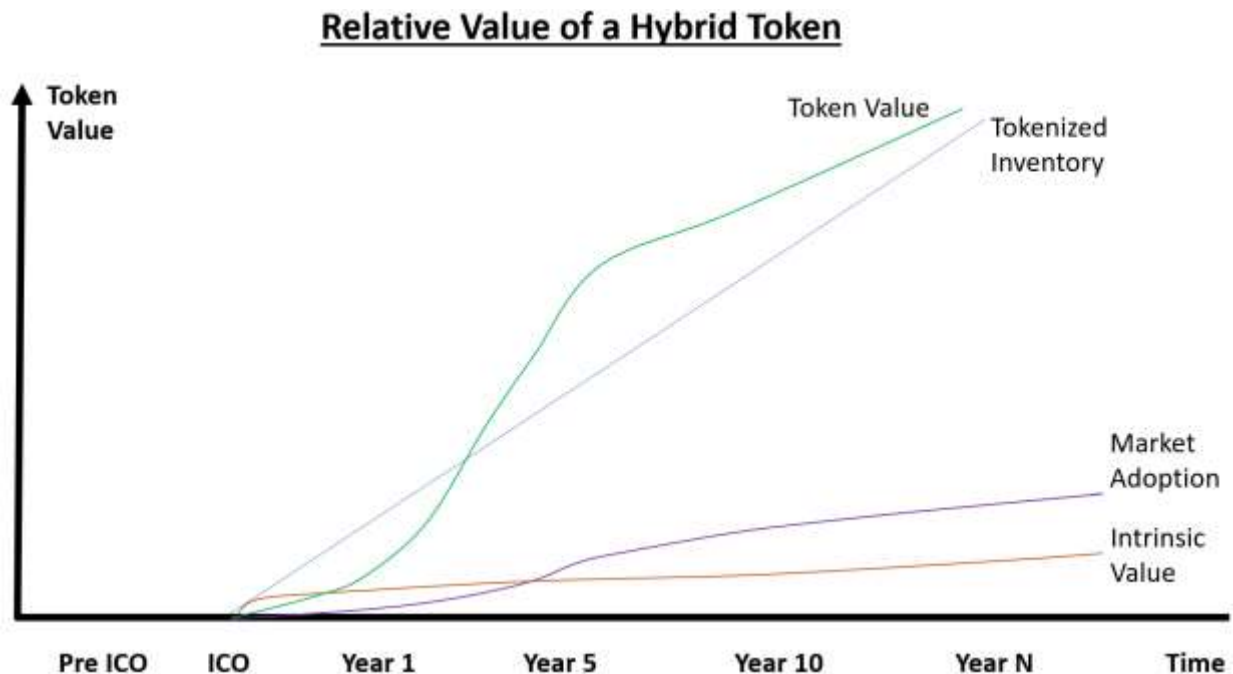
The token value for any blockchain ecosystem is a key component of its long-term viability and marketplace effectiveness. Many ICO's today are expected to fail long term due to their inability to sustain token value over a period of time.

The Coinabis token is based on a view that **value needs to be substantive** and can be achieved thru a combination of three factors:

- 1) **Extrinsic Value** (e.g. tokenized Cannabis Inventory @ fiat equivalent)
- 2) **Intrinsic value** (*Mining/Kilowatts/Hardware*)

- 3) **Marketplace Utility** (efficiency from DApps – decentralized apps, network, market adoption).

The diagram below shows the relative impact of the three components that create token value with a Coinabis hybrid token.



Coinabis token issuance will be controlled by the blockchain with a **fixed total population**. *This will safeguard token value within the marketplace while providing continuous upward momentum as real assets are added.*

Coinabis tokens are based on the ERC20 protocol running on an Ethereum root blockchain. The token use within the marketplace will include B2B and B2C exchange of value. Consumers can use debit or credit cards to load Coinabis SPV wallets converting USD's to tokens to facilitate a purchase transaction. The transaction will generate predetermined rewards and setup downstream processing and payments.

Business owners currently shunned by the banking community can transact with other businesses (B2B) or consumers (B2C) on the Coinabis exchange using the tokens. This eliminates a major obstacle of "cash only" processing today by disintermediating the banks altogether. It further allows for complete transparency with state regulators and taxing authorities.

It's important to note that token value is not the same as token price. Price is always a function of market demand vs. supply.

CTV = Intrinsic value (*Mining*) + Extrinsic Value (fiat equiv.) + Market Utility

There are three components of a Coinabis token:

1) Extrinsic Value (e.g. inventory tokenized at Fiat equivalent)

Ayn Rand: “Money cannot function as money, i.e., as a medium of exchange, unless it is backed by actual, unconsumed goods.”

Unlike Blockchain which took several years to develop substantial token value, Coinabis will allow for direct conversion (tokenization) of tangible assets into Coinabis tokens. For example, an equivalent of \$1 USD of Cannabis inventory (1 unit) can be converted into an equivalent of tokens. The tokens will be credited to the business and the inventory will be owned by the marketplace.

The simplified example below shows the effects of a capped token population (max 2 tokens) with a floating amount of inventory (3 units).

Simplified view of Extrinsic Token Value				
(based on capped token population)				
	# of Tokens (Population)	Tokens Issued	Inventory Units Converted to Tokens	Token Value
Day 1	2	1	1	\$1.00
Day 2	2	2	3	\$1.50
				↓
				Calculated as 3 unit inv. / 2 tokens)

With all else equal, ***if the velocity of asset tokenization exceeds the velocity of token issuance, token values should increase proportionately*** (note: value ≠

price). Tokens can be traded in fractional shares which allows for additional assets to be converted as the token population reaches its cap.

Business owners converting assets (inventory into tokens) will be protected in two ways. First, the business will *maintain physical custody* of the property converted, and second, the tokens can be *converted back to fiat* at any time desired for the original conversion price.

Upon conversion to tokens, legal ownership of the inventory will reside with the marketplace (the blockchain network) while custody remains with the business owner. As products are sold, the blockchain will record the transaction and reduce inventory.

The custodial function addresses a major flaw with the custodian model proposed by banks and wall street firms today (e.g. Utility Settlement Coin) which requires a third-party custodian to hold assets in the form of local fiat currency. ***The Coinabis Blockchain model does not require a third-party custodian.*** The service can be performed by asset owners acting to protect assets in their own best interest. All transactions (asset movements) are validated and blocks confirmed by the blockchain.

In addition to inventory backing the value of tokens, customers using the Coinabis crypto wallet to convert fiat currency to tokens adds value backing the Coinabis tokens thru pairing with wallet purchased tokens with USD's.

Coinabis tokens on the blockchain achieve several major benefits:

- Assigns value to assets based on tokens bypassing cash altogether.
- Eliminates the possibility of *doubling selling* of inventory (cannabis) by holding all transactions in Coinabis tokens managed by the blockchain.
- ***No risk of Loss*** to Business Owners. Businesses maintain 100% custody of the physical assets tokenized and can convert tokens back to fiat at the original conversion price which guarantees a *profit neutral exchange*.

By converting tokens for tangible assets, the Coinabis token creates a medium of exchange like fiat with stronger security, logistics and transparency.

2) Intrinsic Value (Transaction Support Costs)

Transactions create token value in Coinabis much the same way mining creates Bitcoin token value. Bitcoin transactions create new coins priced on the cost to process the transaction (electricity, hardware support, etc.). According to Digiconomist, the annual energy consumption of the Bitcoin network is equal to 14.96 terawatt-hours, with estimated annualized mining costs of more than \$747m usd.

As transaction costs represent genuine costs to support the marketplace, the value of a token is reinforced with the value of a secure network.

3) Marketplace Utility

As noted above, creating token value thru mining and tangible assets represent clear value to the marketplace. The marketplace in turn adds value as the network expands and achieves efficiency thru higher adoption levels.

The incremental value of the marketplace can be broken down in two ways:

- *Infrastructure* – The marketplace (including the supply chain) will be supported with blockchain based tools developed by BlockChain Gang Inc. and our vendor partners. This adds immediate value to areas including Mobile Payments, Vendor Cash Registers, Current Software/Hardware tools, and Compliance with state regulators and taxing authorities.
- *Industry Facilitation* – Adding services to the marketplace for store and dispensary setup, industry based lending, regulation progression, facilitation, advocacy, and investment funds targeting industry growth.

As the ecosystem grows, Coinabis grows with it

IV. Token Offering

Token Value Dynamics

A Hybrid Token Model

Note: The Table depicts a theoretical view of token dynamics based on a fixed token population for a hybrid asset backed token.

Token Population					Cumulative Funding			Token Value Split			
Time	# of Tokens (Population)	% Issued	Tokens Issuance	% Discount	Accredited Investors/ Crowd Funding	Inventory	Cummulative Funding (token backing)	Intrinsic Value	Extrinsic Value (Inventory, etc)	Market Place Value	Hypothetical Token Value
					a	b	$\Sigma(a+b)$	c	d	e	$c+d=e$
Pre ICO	1,000	0%	100	50%	50	0	50	\$0	\$0	\$0	n/a
ICO	1,000	50%	500	10%	450	1,000	1,500	\$38	\$1,000	\$75	2.225
Year 1	1,000	70%	700	0%	n/a	5,000	5,500	\$138	\$5,000	\$275	7.732
Year 5	1,000	100%	1,000	0%	n/a	25,000	25,500	\$638	\$25,000	\$1,275	26.913

The Coinabis token supply will have a hard cap at **50M** tokens. The initial allocation @ ICO will be 10% of the token population with 80% reserved for asset backed tokenization and the remaining 10% allocated to Founders, friends and early investors.

As real assets are tokenized into the market (e.g. Cannabis Inventory converted to fiat equivalent), ***the limited token supply versus continuous asset supply will gradually drive the conversion rate higher*** in favor of the Coinabis token.

Token Distribution

The Coinabis crowd sale and token offering will be instrumental in the development, marketing, and operations required to build out the blockchain marketplace for immediate use. The primary use for Coinabis tokens will be direct exchange within the marketplace. Coinabis token listings are also planned for multiple exchanges.

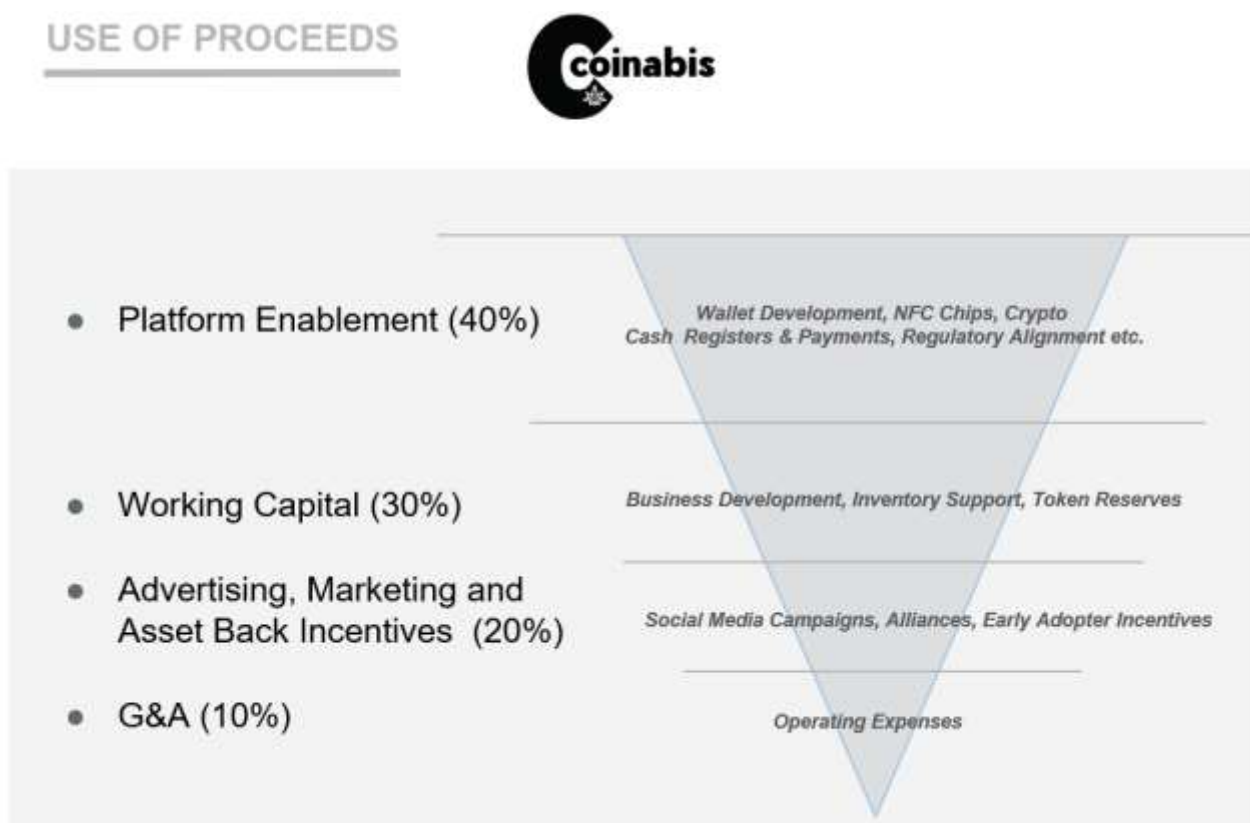
The total Coinabis token population will be capped at 50,000,000 (50M).

- 10% of the tokens will be sold in the ICO to secure funds for further blockchain platform development including Crypto Wallet enhancements, Cash Registers deployment and Payments facilitation, Regulatory Alignment, and Supply Chain Efficiency.

- 80% for tokenization of real assets including inventory, merchandise, and POS fiat to Coinabis.
- 10% for Founders, Advisors, Employees and Early Stage Investors.

Funds Distribution

Funds raised through the Coinabis token sale will be applied as noted below:



V. Products & Services

COINABIS, is a first of its kind multi-functional token that drives one of the most innovative blockchain solutions ever developed. Key components, processes, and partners are united in a motivated marketplace queued up for successful launch in Q3 2018. Delivering a seamless customer

experience and supply chain integration will establish Coinabis as a vital lifeline within the industry.

The Coinabis Digital Wallet

Mobile App (MVP #1)



The Coinabis Wallet is a B2C solution allowing customers to convert fiat to COINABIS tokens using a crypto wallet mobile app to transact with dispensaries POS utilizing QR codes and 2-Factor Authorization. The Coinabis wallet app will interface with the cannabis POS system via a custom API. Transactions will be recorded on the blockchain ledger and appropriate local and regulatory taxes will be automatically calculated and dispersed to revenue agencies via smart contracts.

Dispensaries will have the option to collect cash and record through the Coinabis app to allow for smart contract execution. Store Owners benefit by tracking a customer's purchase history to offer rewards, incentives, and engagement for loyalty and repeat purchases.

Coinabis Proprietary Exchange aka “The Hub”

Blockchain-as-a-Service software (MVP #2)

The Coinabis B2B solution will allow the entire supply chain to conduct buy/sell transactions, tracking, quality, genetics, inventory, and compliance utilizing software residing on the cloud (Software-as-a-Service) and accessible via computer.

The offering ushers in a new era of Blockchain-as-a-Service coupled with IoT

(Internet-of-Things) technology bridging physical goods with the proprietary tech combination at the core of an automated workflow. The qualification supply chain signup process will be strict in accordance to local regulation and laws and adhere to state compliance requirements.

The entire supply chain is covered on the Coinabis platform – growers, dispensaries, distribution hubs, transportation, armed guard services, suppliers, and ancillary brands. Market participants can use their COINABIS tokens within The Hub to pay others in the supply chain and to disperse appropriated amounts for sales tax and any other required fees for services.

Coinabis Secure ID

Secure ID (MVP #3)

The COINABIS platform is a bridge to move the Legal Cannabis trade from a CIB, Cash-Intensive-Business, into the blockchain. Coinabis will utilize decentralized identity verification technology to automate the AML (anti-money laundering) and KYC (know-your-customer) regulatory and compliance requirements while saving time and manpower between applicants and local agencies.

VI. Leadership & Execution

Our management team has over 20 years collective experience in startups, technology, legal cannabis, and digital media.

Management Track Record

- Significant sector experience in Cannabis
- Breakthrough through digital media deals
- Founded successful payment processing companies

Core Team

Brian Ortencio: Founder

Brian is co-founder of tech accelerator, Blasmo, and an early advocate of blockchain platforms for the legal cannabis industry. He is a business development expert in with over 25 brands in the technology, entertainment, fashion, automotive, sports, and alcohol sectors. He has marketed for championship boxers Manny Pacquiao (8-division world champion) and Nonito Donaire Jr (2012 Fighter of the Year).

Eric Escaros: COO

Eric leads a technology research team to promote and implement blockchain and cryptocurrencies primarily geared towards transformation of the legal cannabis industry. He also has advised traditional & institutional bank lenders, private equity and accredited investors in multiple industries.

Eric founded Ballistic Marketing in 1994, an agency specializing in branding, sales, distribution, promotions, sponsorships and events. He has specialized in securing corporate brand sponsors focusing on 400 brands and Fortune 1000 companies. Previously, he was Director of Marketing at Platinum Promotions.

Peter Perez Jr: CMO

Peter is a product developer and serial entrepreneur and has helped dozens of entrepreneurs build start-ups and sustainable businesses by branding, guerrilla marketing, and bootstrapping. He primarily launched companies that focused on software-as-a-service or monthly subscription-based companies.

Mr. Perez also founded Streetbox Club, the world's #1 exclusive streetwear subscription club. He's helped startups increase sales from low 6-figures to close to 1 million by re-branding and product development in 24 months. He's been in the blockchain since the inception of Bitcoin and has a great understanding of the crypto space.

VII. Launch Timeline

Target Funding & Market Launch

Pre ICO – March 2018

ICO Launch Campaign – April 2018

Whitelist Completion – June 2018

Airdrop/MVP Launch – Q3 2018