

# Hanzo Ethical Crowdfunding

Bringing transparency and accountability to crowdfunding

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# Background

For the past 3 years, the Hanzo development team has been working with hardware startups to launch and grow their businesses. We have a suite of building blocks that companies can use a la carte or together which fulfill all of a startups ecommerce needs - including storefront, data analytics and marketing. Our greatest success stories were hardware crowdfunding campaigns. In 2014 we launched a company and using our tools alone, that company became the best performing Indiegogo campaign at the time.

But in the end that company was not able to fulfill its obligations to backers. And unfortunately that isn't an uncommon outcome. We are all familiar with indiegogo or kickstarter campaigns that have just fizzled out and because of the structure of those campaigns, backers are left with no transparency into what went wrong and no accountability from the campaigns they were trying to support.

We saw this as a problem. If backers can't expect outcomes from projects they will be reluctant to continue supporting them. And every failed campaign makes it harder for well-meaning, bright founders to try again, because they strain relationships with potential backers. Now with the meteoric rise of ICOs, a type of crowdfunding done on the blockchain, we knew there was a way to do successful crowdfunding that is ethical, fair and accountable for all parties.

At Hanzo we are building the first crowdfunding platform that truly makes use of blockchain technology. In addition to being run on our best-in-class ecommerce platform which we have proven out by growing companies from \$0 to over \$1M per month in revenue, Hanzo crowdfunding will take advantage of the benefits provided by blockchain and smart contracts in a way that hasn't been done before. Hanzo crowdfunding will only release funds when previously appointed milestones are met. Creators will set these milestones so backers can see upfront the major steps to reach the desired outcome. To enforce these milestones we will write them into the smart contract of each campaign so backers can feel secure that milestones are truly being met. If any or all milestones aren't met, backers will be returned an appropriate portion of their funding.

By increasing transparency between founders and backers we empower more people to support crowdfunding campaigns and ICOs and we enable founders to build strong relationships with their backers for future campaigns.

Additionally, unlike other crowdfunding platforms, Hanzo grows with your company. From founding to funding to scaling, your product or products can continue to use our powerful

ecommerce, analytics and marketing tools to grow quickly. This means that not only can we support individual crowdfunded products, but we can easily add whole suites of crowdfunded follow-on products.

## Token Description

The Hanzo Token (RYO) is used to power ethical crowdfunding campaigns and pay for platform usage.

### Definitions

**Auditors** - Third party reviewers who can confirm milestones that cannot otherwise be automatically confirmed through the Hanzo platform

**Backers** - Individuals who financially support crowdfunding campaigns.

**Creators** - Launch campaigns for new projects, founders of new companies.

**Campaigns** - Ethical crowdfunding projects powered by the RYO token.

**Goals** - Establishes goals and controls around the release of funding to ensure money is not mismanaged and businesses are held accountable.

**Milestones** - Goals that must be met before funding can be released

**Perks** - Benefits to backers established by creators. Perks are flexible based on creator goals and can be used to drive interest in a project.

**Perk Tokens** - Exchangeable tokens entitling backers to predetermined “perks,”

**Stretch Goals** - Goals which unlock new perks, access to additional capital in parallel or sequential

**Token** - Hanzo cryptocurrency used to fund ethical crowdfunding.

### Usage

Creators of hardware or blockchain companies are eligible to use Hanzo. Creators using the Hanzo crowdfunding platform will begin their campaign by creating a landing page for their product(s) on Hanzo and establishing a set of measurable milestones toward the final development of their product. These milestones will be laid out clearly and include detailed descriptions of how funds will be allocated throughout the project. These milestones will be written into the smart contract for that campaign, so that funds are only released when milestones are confirmed. When creators launch a project they will receive the amount allocated to reach the first milestone only after hitting a predetermined fundraising threshold. Milestones, perks and stretch goals will all be configurable by the creators and will allow for some flexibility, while prioritizing transparency for backers. These are all opportunities for creators to communicate with bakers and interested parties and can be used to drive project support.

When milestones are achieved and funds are released to creators in the form of the RYO token. Creators may use the funds to pay for tools on the Hanzo platform or for other vendors to reach the next set of goals.

Backers can contribute funds to a project until it is closed. Backers, in return, receive PERK tokens. Each RYO that is put into the project will entitle the backer to one perk token. PERK tokens are redeemable for rewards established by creators before launching their campaign, and can be traded or sold for RYO within the Hanzo marketplace. PERK tokens have two states; free PERK tokens and locked-in PERK tokens. Free PERK tokens can be traded as described. Locked-in PERK tokens have been tethered to a specific PERK, ensuring that if that PERK is fulfilled the owner of that token is entitled to that PERK.

If a project does not seem to be progressing, backers can petition to label that project delinquent. If a delinquency petition is entered, Hanzo will review the project and, if it is found to be outside our terms of service, allow users to vote to release and refund any of the funds remaining on the smart contract.

PERK tokens will be the vehicle for project refunds. If a campaign fails and money left in the smart contract will be refunded back to the backer proportional to the amount they put in. For example, if a campaign raised \$1M, but only \$250,000 was dispersed before the project failed, PERK tokens will be refunded at a rate of 1 perk token for 0.75 RYO. These refunds may then be used to fund other projects or can be exchanged back to fiat or other ERC-20 token.

## Milestones

Managing milestones is the most salient portion of Hanzo ethical crowdfunding. It is important that creators are able to define and create their own milestones for their business, both in terms of their success and our ability to scale. These milestones will primarily be based on factors that we can verify on the Hanzo platform. Because of Hanzo's end-to-end capabilities, milestones relating to metrics such as number of units shipped, amount raised, perks locked-in, etc, can easily be verified by the blockchain.

We understand, however, that some milestones will not be able to be automatically verified by Hanzo. For these situations we will ask that the company appoint a third party auditor, usually a vendor or other company, that we can contact to confirm that milestones have been achieved. We will use these appointed auditors to create an approved list of reputable auditors. Most importantly, though, this is another layer of transparency that creators can provide to backers. Creators will tell backers upfront who will be auditing milestones and backers can decide if those auditors are appropriate.

Additionally, we are working to build relationships with manufacturers who can serve as trusted, independent auditors.

By structuring campaigns around milestones met instead of short, rigid timelines we enable longer and more ambitious projects to be successful. With 30 day campaigns backers are left

waiting and wondering when they will see any outcomes. And new founders struggle without accountability and face the pressure and expectations of backers to produce something big. On Hanzo backers can worry less about the final product because they are being updated consistently. This means less pressure on creators and opens the door for easy communication.

## Polling

Creators will have the opportunity to poll backers about upcoming choices or plans. These polls will not be binding, but will serve as another avenue for creators to have an open channel of communication with backers. These polls will, however, be transparent so backers will be able to see results and those results will be written to the blockchain.

## Community Standards and Terms of Service

As a company making a claim to ethical crowdfunding, our terms of service and community standards must be especially rigorous. In addition to typical terms that state projects and perks must follow all laws, we will also not allow firearms, alcohol, offensive material, political fundraising, or other projects or perks that may reflect poorly on the platform.

We will also communicate our values of openness, transparency, and communication so that founders and backers know how to get the most out of the tools we offer.

## Target Market

Our initial target market will be hardware companies and ICOs. The global crowdfunding market is estimated to be worth more than \$110 billion dollars by 2021. Kickstarter alone has allowed companies to raise over \$2 billion dollars. And while statistics on crowdfunding are not well kept at this point, it's very clear that the upward trend isn't slowing down anytime soon. But crowdfunding is also fraught with abuse and huge failed campaigns. Donor fatigue will eventually slow down the growth of the industry unless we are able to better engage backers in the process.

## Roadmap

### June 2018

Launch curated selection of ethical campaigns.

### October 2018

Launch signups for new marketplace for campaigns and perks

November 2018

Public availability of platform.

## Token Sale

We will mint 1 billion tokens in a one-time token generation event.

51% will be acquired by the public during our token sale. At Hanzo, we consider it a signal of trust if the community owns more than half of the RYO tokens from the beginning.

20% will be allocated to founders, employees and advisors as an incentive to ensure long-term alignment of interests and commitment to the project and its future value.

20% will be held in reserve by Hanzo in order to fund future transactions and expand liquidity pool for future growth and expansion.

9% will be used for a bounty program to reward members of the community (developers, entrepreneurs, etc) that contribute to the Hanzo network. This will incentivize our community to build products and aid mainstream adoption.

## Timeline

We will make 25% of our tokens available during our pre sale and 26% available when our public token sale begins.

November 2017

Presale to accredited investors with 40% discount.

December 2017

Presale to accredited investors with 30% discount.

January 2018

Presale to accredited investors with 20% discount.

Q4 2018

Public token sale and launch.

# Team & Advisors

Zach Kelling, CEO

David Tai, CTO

Tori Benson, COO

Michael Walker, CMO

Tim Messer, Chief Evangelist

Imran Hameed, VP Engineering

Kirby Chamblin, VP Design

Artem Ash, Core Developer

Jestin Stoffel, Core Developer

Ben McGraw, Core Developer

Steven Gonzalez, Core Developer

Marvel Matthew, Core Developer

- Lisa Gansky
- Yobie Benjamin
- Etc



# Appendix



