

Gray Rock Capital

Jan, 2021

white paper



Gray Rock



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Summary

The recent influx of traditional capital into the crypto world has captured the attention of both crypto enthusiasts and skeptics alike. Market analysts have been pointing at traditional financial institutions to be the not-so-hidden culprits behind Bitcoin's recent rise. Companies such as Grayscale or Square have been aggressively buying bitcoin, as have an increasing number of family offices and hedge funds around the world. Even financial institutions that have always observed crypto from a distance have begun to meddle with crypto, some passively through minor partnerships, and some actively through crypto products of their own. Yet, this trend does not go both ways, because real world investment opportunities seldom exist for crypto owners. Crypto investors who wish to hedge risk by investing in real world assets must go through a taxing liquidation process to get fiat money, while also giving up on their long positions for certain cryptocurrencies. Furthermore, few real world investment opportunities promise an attractive return on investment, and the handful that do are too risky to be considered viable hedging from crypto. Gray Rock offers lucrative real world investment opportunities which incorporate various strategies, including but not limited to commercial factoring, investing in royalties, and AI stock trading.

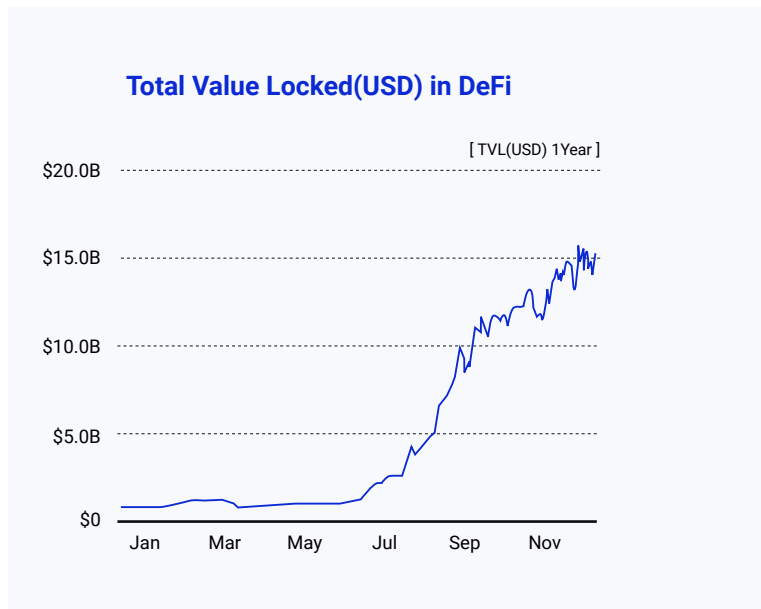


Background

1. Defi and Stablecoins: Crypto's newest developments

This summer, DeFi took the center stage. DeFi, a portmanteau of “Decentralized Finance”, refers to the new financial ecosystem built on the blockchain which makes use of smart contracts for decentralized financial transactions. Because smart contracts cannot be edited once deployed, DeFi drastically decreases the need for trust, as well as the need for a centralized authority maintaining financial integrity. Several innovative DeFi products have hit the market, including decentralized money markets such as MakerDAO or Compound, or Decentralized Exchanges such as Uniswap. Each application has contributed to the explosive growth of Defi, and the Total Value Locked in DeFi has climbed to a whopping \$14B in December, from 2020 June’s \$1B.

The greatest contribution yet, however, was made by stablecoins; Ethereum-based cryptocurrency that is pegged 1:1 to fiat money, most often to the US Dollar. Stablecoins provided an unprecedented amount of liquidity to the DeFi world, letting investors hedge their risks from volatile DeFi tokens.



Total Value Locked (USD) in DeFi. Source: Defi Pulse

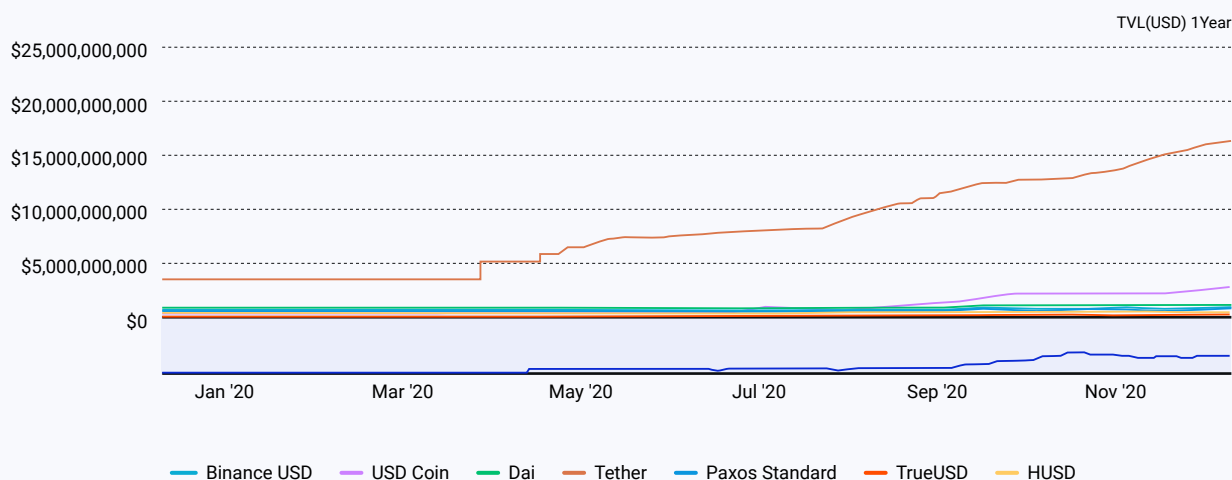
Furthermore, money market protocols such as Compound and Aave have been improving upon the functionality of stablecoins. Thanks to these protocols, users are able to deposit volatile crypto assets such as bitcoin or ether and borrow stablecoins for a fee. With this newly-earned liquidity, crypto investors made huge profits off of “Yield Farming⁰¹” opportunities that marked the DeFi summer.

Nowadays, yield farming is less of an option for investors, but DeFi hasn’t crashed and burned like some expected. DeFi has been showing a steady increase in Total value locked in, and more

⁰¹ Yield Farming refers to the practice of providing liquidity to DeFi protocols to gain rewards in the protocol's native tokens. At the peak of the summer's DeFi craze, investors could generate impressive gains in a matter of days.

Background

Stablecoin Market Capitalization. Source: Coingecko



Total Value Locked (USD) in DeFi. Source: Defi Pulse

stablecoins are minted each day. Tether's USDT circulation has increased from \$4B in January to \$19.7B in December 2020. Stablecoins have been lauded for simplifying and strengthening the connection between crypto and traditional finance, and making cross-border payments cheaper and easier.

2. Lack of real world investment opportunities for Stablecoins.

Despite the staggering amount of stablecoins in circulation, there aren't that many opportunities that promise meaningful returns for stablecoin holders. Even fewer are investment opportunities that retain stablecoins' best features, namely its low-risk nature and its liquidity. Stablecoins are generally used in

cryptocurrency exchanges for quick trading, but there isn't much to do in a bear market.

The past few years have seen the emergence of P2P crypto lending platforms, but many have lost their users' trust through questionable actions. Salt Lending, an American platform, received an order from the SEC to offer refunds to their ICO investors. Another platform, Cred, recently went bankrupt due to faulty loans and its customers had to suffer great losses. Despite their branding, P2P lending platforms are not the banks they claim to be.

Providing liquidity to rising DeFi protocols is one way to make some profit off of idle stablecoins, but this option isn't particularly risk-free. When providing liquidity to automated market makers such as Uniswap, one is subject to impermanent loss, which may negatively impact one's profits. If

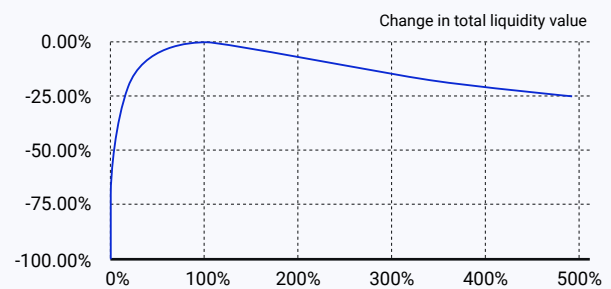
Background

depositing entirely in stablecoins is an option, or if the protocol offers an alternative or a “fix” to the issue of impermanent loss, the returns are generally meager.

We believe that if stablecoins are a bridge between cryptocurrency and fiat currency, it should also be easy to use outside of the crypto world. Although stablecoins are no less stable than fiat, it cannot be spent in the real world as such. Any stablecoin holder who wishes to make a profitable real world investment must invest time and money to find the right product and liquidate their stablecoins, while giving up their position in crypto.

Losses to liquidity provider due to price variation

Compared to holding the original funds supplied



Impermanent Loss. Source: Finematics

Introducing Gray Rock

*Our Strategy
The ROCK Token*

Our Strategy

Gray Rock aims to offer various real world investment opportunities that cater to stablecoin holders. Whether you're a trader taking a break, a stablecoin holder fed up with traditional banks, or a crypto-illiterate investor seeking to make easy investments abroad, we plan to have something that meets your specific investment needs.

We believe that investment products targeted toward crypto investors must meet two important criteria. First, the investment must be less volatile and less risky than holding cryptocurrency. The second, ironically, is that the investment must also be more profitable compared to most products in traditional finance, which caused many investors to get into crypto in the first place. Finding something that satisfies both conditions is a challenge, especially since great products are often only open to HNWI's who invest more than \$100k on the spot.

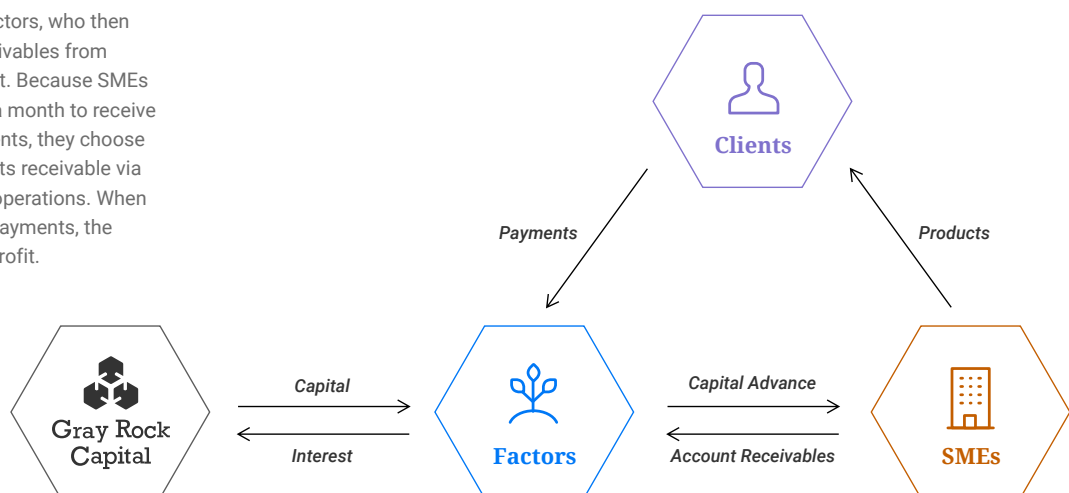
Gray Rock plans to collaborate with factors to develop a product that satisfies the above criteria. Factoring refers to the practice of purchasing



accounts receivable at a discount, meeting the needs of businesses which prefer quick cash. Sellers of the accounts receivable pay a fee for liquidity, while factors take advantage of their capital to generate profits that aren't prone to default risk like most loans. The more accounts receivable factors can buy, the greater the profit. Gray Rock plans to supply funds to factors, allowing individuals to participate in this lucrative procedure.

Commercial Factoring

We provide capital to factors, who then purchase accounts receivables from businesses at a discount. Because SMEs often have to wait over a month to receive payments from their clients, they choose to liquidate their accounts receivable via factors to finance their operations. When the factors receive the payments, the discount becomes the profit.



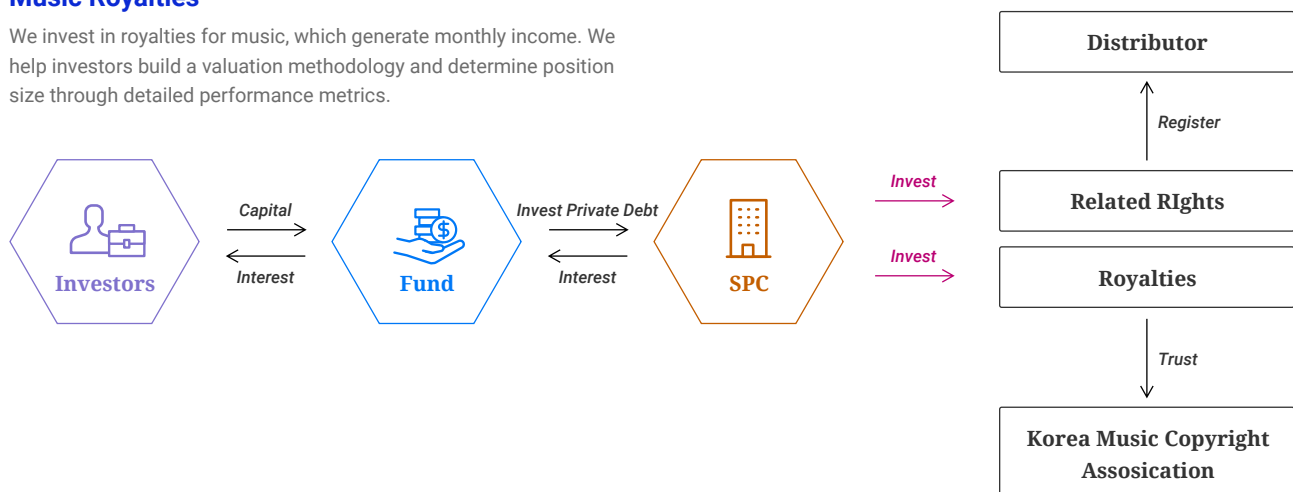
Our Strategy

Our second strategy invests in music royalties, which generate stable income from streaming and performances. We have partnered with Alternative Investment Firms that have made royalties accessible to institutional investors in the form of funds, which we will incorporate in Gray Rock's portfolio.

Our last strategy involves AI stock trading, which deploys an automated trading solution developed by professional quant programmers. The solution minimizes risk and maximizes profits through several market-neutral strategies. We understand that it's a lot of work trying to trade both stocks and crypto. So, we'll take care of the stocks, and in fact, outperform most manual traders while we're at it.

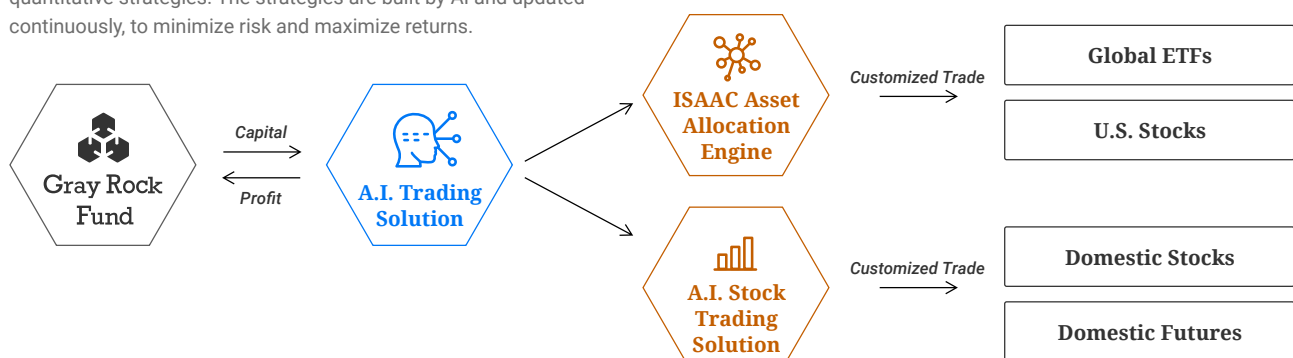
Music Royalties

We invest in royalties for music, which generate monthly income. We help investors build a valuation methodology and determine position size through detailed performance metrics.



AI Solution Trading

Our AI stock trading solution automatically executes buy and sell orders for stocks and futures, capturing profits through various quantitative strategies. The strategies are built by AI and updated continuously, to minimize risk and maximize returns.



The ROCK Token

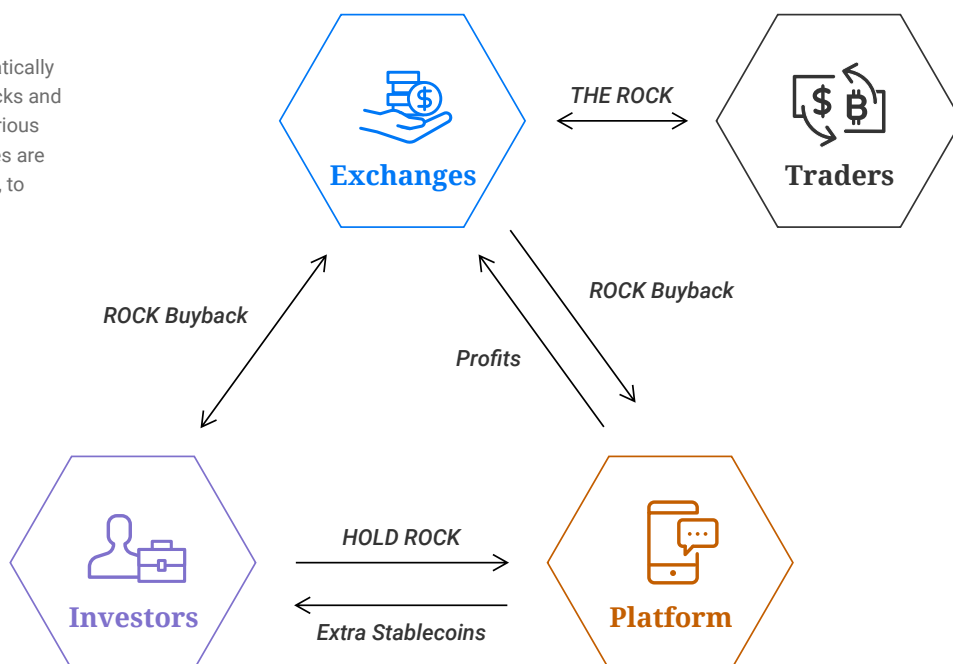
The ROCK token is Gray Rock's utility token. Stablecoin investors can choose to hold a certain number of ROCK tokens in their Gray Rock accounts for a better rate. The number of tokens needed for the boost is determined by a snapshot of the price of ROCK at the point of lock up. For example, if you're required to hold 5 USD worth of ROCK, and ROCK is valued at 0.5 USD at the time of lock up, you need 10 ROCKs for the boost. The dollar amount required for the boost will vary for future products.

The boost system guarantees principal, because the returns are identical to the dollar amount required at lock up. If one locks up 5 USD worth of ROCK for the boost, they are guaranteed 5 USD in stablecoin. If the ROCK token value depreciates to half of its original value, they would still earn a total of 2.5 USD. This system makes purchasing ROCK a profitable investment, regardless of price fluctuations.

Gray Rock will buy ROCK back from the market with a part of its fees to power the token economy. The greater our profits, the more tokens will be bought back. This means the value of ROCK will be directly correlated to the success of the platform, which could make ROCK an attractive investment for traders as well. We plan to add further utilities for ROCK in the future, such as ROCK savings accounts or ROCK-only investment products.

AI Solution Trading

Our AI stock trading solution automatically executes buy and sell orders for stocks and futures, capturing profits through various quantitative strategies. The strategies are built by AI and updated continuously, to minimize risk and maximize returns.



Our Strategies

*Commercial
Factoring
Music Royalties
A.I. Stock Trading*

Commercial Factoring

The case for commercial factoring is simple.

We pool funds to factors so that they are able to purchase more accounts receivable from businesses, and we receive our portion of the profit from the factors. Businesses sell accounts receivable to factors at a discount, because they need quick liquidity. Factors, who can afford to wait, can then receive the payments for the accounts receivable at their full price, which makes the initial discount the profit.

Because accounts receivable are legally enforceable claims for payment, there's low to no risk of default. The profits, however, range well above an annual yield of 10%. This is possible because there is a consistent demand for factoring from small businesses — especially with the rise of online shopping malls — but not a huge supply of capital in the factoring industry. Individual investors have no access to this lucrative opportunity, while factors are in need of more capital. Gray Rock's factor fund hopes to be the solution. A more detailed explanation of commercial factoring is

given below.

With factoring, your invoices are sold to a factor in exchange for working capital now to fund any number of business expenses or investments. Typically, **the factor will advance you between 70-85% of the total invoice amount** immediately along with the remaining 15-20%, minus fees, upon receiving payment for the invoice from your customer. Once your invoice or invoices are sold to the factor, they will communicate directly with your customer to collect the invoice payment.

How Invoice Factoring Works



Invoice client

ex) Melissa's Cosmetics invoices their client \$25,000 on net 30 terms



Sell invoice to factor

ex) Melissa sells the invoice to a factor who now takes over collection efforts.



Factor pays you an advance

ex) The factor pays Melissa an advance of 80% of the invoice amount



Your client pays the invoice

ex) Your client pays the invoice in full



Factor pays the remaining balance

ex) The factor subtracts fee and pays you the remaining balance

Music Royalties

Our second strategy invests in music royalties. We purchase copyrights for songs from composers or third-party dealers, which then generates a steady stream of income (royalty). Royalties have been on the rise in the field of alternative investment, as a low-risk, stable alternative to stocks. They can be complicated for individuals, especially since the income distribution process involves several different parties, but the industry has been expanding at a steady pace. We make royalties investable by packaging them into familiar investment formats and horizons:

A. Term based: investor collects royalty income for a fixed period of time. Royalty income then reverts to the original seller after the end of the term.

B. Life of Rights: Investor collects royalty income for the length of the underlying copyright.

Understanding the key characteristics of royalty

performance is critical to investing with confidence. We help investors build a valuation methodology and determine position size through detailed performance metrics. We vet and verify all royalty opportunities before listing them on the table. This minimizes ownership disputes. Our legally binding contracts reduce transaction risk and we provide administration services to streamline post-sale income collection and distribution.



A.I. Stock Trading

Our last product utilizes artificial intelligence (“A.I.”) trading solutions which aim to minimize risk and maximize returns by analyzing numerous market and economic data and exploiting opportunities. We employ two unique and outstanding A.I trading solutions as below.

(1) ISAAC asset allocation engine

ISAAC is an A.I. asset allocation engine developed by December & Company Inc. (a leading company in the South Korean robo-advisory industry). The ISAAC engine runs on an algorithm that continuously improves its problem-solving skills and takes into account all situations in a comprehensive manner. This results in outstanding asset weight, asset selection, and customized portfolios.

ISAAC determines the optimal portfolio of global and domestic stocks/ETFs on a daily basis through asset allocation, asset selection and automatic trading and creates customized portfolios for specific client’s target return and risk profile.

We plan to deploy capital into a discretionary investment vehicle managed by ISAAC of December & Company Inc. for long-term capital growth.

(2)A.I. stock trading solution

The A.I. stock trading solution enables portfolios to react to market movements on a real-time basis. This solution automatically executes buy and sell orders for stocks and futures, capturing upside potential through multiple swing strategies. If the market swings in one direction, our solutions will be sure to capture new opportunities created by that swing.

One of the advantages of this solution is that its performance does not depend on the size of capital. Regardless of whether an investor decides to remove or add a large sum to our fund, the solution will seize opportunities accordingly, without sacrificing performance.

Both outstanding solutions have shown performance regardless of market conditions, which means Gray Rock can confidently deploy capital at any time. The trading solutions will build a customized portfolio to meet Gray Rock’s long-term, target investment goal.



Insurance

Tranching Cyber Risk Insurance

Insurance

1. Tranching

Gray Rock minimizes risk for investors by investing in the riskier junior tranche with our own assets, and leaving the senior tranche to our platform investors. In the case of bankruptcy or liquidation, platform investors will have seniority in retrieving investments. We are willing to take on the extra risk because we have faith in our products. Also, because we will be investing in the junior tranches of our future products as well, we're incentivized to carefully vet the assets and corporations that we invest in. The percentage of the tranches will vary by product.

2. Cyber Risk Insurance

We are planning to purchase Cyber Risk insurance backed by Hyundai Marine and Fire via INBYU a kakao company. Cyber Risk insurance provides direct access to data breach consultants and panels of experts to assist firms that suffer data breach events. The insurance also addresses expenses for forensic investigation and public relations, as well as notification costs, credit monitoring, and consumer education and assistance costs arising out of a data breach. This policy covers confidentiality breach liability, network security liability, privacy breach protection, loss or theft of data and cyber extortion.

Through Gray Rock, our partner company INBYU hopes to accumulate experience in cryptocurrency insurance, a nascent field for the insurance industry. Insurance companies and brokerages have been reluctant to provide insurance for crypto-related businesses due to a lack of data, which made it difficult for them to assess risk and underwrite new products. Working with Gray Rock, INBYU plans to gather the data necessary to measure the risks related to crypto and use this experience to become a pioneer of crypto insurance.

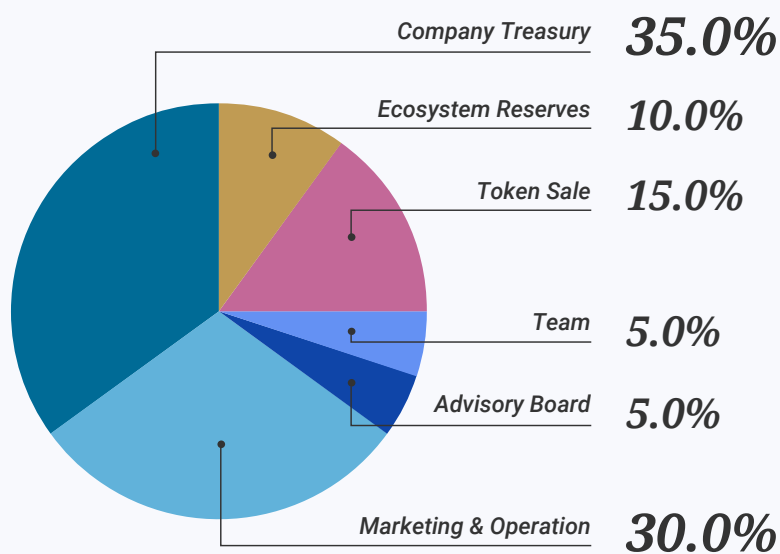
ROCK Token Distribution

Token Sale

- ROCK will be listed in major exchanges before the official launch of the project. Proceedings will go to early development and product preparation.

Company Treasury

- The ROCK in the company treasury will not be used without prior notice. The funds may be utilized for service expansion and / or in response to unforeseen circumstances



ROADMAP



Disclaimer

This whitepaper is for general information purposes only in relation to Gray Rock Capital and the information herein is current as of the date on the cover page. This white paper is a continuous work in progress and subject to review and revision. We reserve the right to update the white paper at any time.

The goals set forth in this whitepaper are not guaranteed to be achieved or finalized in the specified desired result. Absolutely no future plans, goals, etc. outlined in this document for Gray Rock Capital should not be regarded as fact.

Participation in a token sale can be highly speculative and risks include total loss. A prospective purchaser should thoroughly review the token sale memorandum and carefully consider all the risks involved. This whitepaper does not constitute the offering of a security. In many regions, token sales are still highly scrutinized and regulations are still not fully established. Furthermore, some entities view that token sales may qualify as a sale of investment contracts.

This white paper is not in any way a recommendation to purchase ROCK tokens. There is a significant risk of participation in the purchase of ROCK tokens and thorough consultation with

legal and tax experts should be done beforehand, as regulations regarding crypto currencies are constantly changing around the world.

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