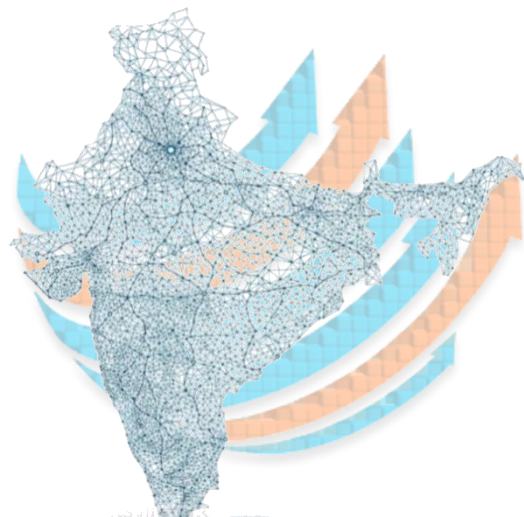


# The Blockchain Education Initiative

BEI M3 ANO Application Appendix - Financial Planning



## Financial planning

Factoids (FCT) do not have a fixed fiat value and the value, for example, in US Dollars (USD) has varied significantly with periods of high volatility. FCT/USD variance will impact BEI and require resource planning. We will maintain a provision fund to support BEI operations during periods of low Factoid prices.

Note: one variable that we have not included within our two-Authority Node budgeting calculations is the possibility that we will eventually be able to generate revenue from our offered services/activities. If we were able to independently generate income from BEI services, the impact of periodic FCT/USD fluctuations on our day-to-day operations would be reduced, and we would be able to reexamine BEI's growth strategy timelines as well as our protocol node efficiency targets. Within our single Authority Node monthly liquidity forecast below, a minimal (\$1500) external revenue per month figure was inserted under the logic that if selected as an ANO this round we will have sufficient time to start, establish, and create products and services to enable us to earn some degree of external revenue by the time BEI's authority node responsibility is reduced from two to one nodes as the Factom authority set expand the number of individual ANO.

BEI has conducted initial research and appcalitons to set up corporate-level cryptocurrency trading account(s) and will attempt to do so across multiple exchanges. We will manage the frequency and size of our FCT transactions to ensure our routine financing activities don't negatively impact the greater FCT market.

## Accounts & Contingency Fund

BEI has also already established and funded a corporate bank account to finance startup costs and manage BEI operations. BEI has earmarked ~\$40,000 to support startup and contingency sustainment. At prices above \$15/FCT, we aim to replenish the BEI's contingency fund to deal with unexpected shortfalls and significant negative FCT fluctuations.

Below is the historical FCT/USD ratio (green). Exceptional volatility should be assumed.



### Factom Community Grant pool

The BEI pledges to defer a portion of protocol-granted Factoids to the Authority Set Grant Pool. BEI's initial deferment rate is dependent on the market FCT/USD price. As detailed within the monthly liquid tables below, BEI strives to defer a minimum of ~25% of authorized factoids to the grant pool between Factoid values of \$10 and greater. BEI will be a costly project with oversight and operations across multiple continents and a sizeable team; however, we believe we offer a very significant potential value to the Factom community and protocol that more than justifies the resources. Efforts will be made to responsibly maximize resources and services in support of the Factom community and protocol.

When the total number of BEI hosted authority nodes are reduced from two to one in the future, we strive to sustain services on a minimum Factoid deferment percentage of 20% at FCT/USD values of \$15 or greater. Note: for simplifying and forecasting purposes we included \$1500 of external monthly revenue on within one node model below; while we aim to have higher levels of external monthly revenue and therefore greater node efficiency percentages, to simplify the model the lower and undesired efficiency percentage was used at the \$10 FCT value. We feel given sufficient time to establish BEI products, services, marketing, and partnerships; BEI will possess an ability to generate external revenues and offset the lower available resources from the decrease of two to one administered authority nodes. As BEI becomes established and independently generates external revenues, we hope to increase our node operating efficiency as our reliance on protocol-granted Factoids to fund operations decreases.

### Accounting/Payroll/Taxes

BEI has hired a corporate CPA. Our payroll, accounting, and tax considerations are challenging given our multinational scope of operations and staff and will hire appropriate counsel to properly manage these activities. With regards to Factoids, our CPA has advised us that receipt of Factoids generated by the protocol are taxable as a commodity. We intend to escrow a portion of monthly net income (if positive) to pay quarterly/year-end taxes. BEI will use <https://cointracking.info/> services to record all FCT-related transactions for tax, audit, and FCT accounting matters.

### Minimal Viable FCT/USD Price for Services

Based on forecasted Revenue, Provisions, Expenses and the fluctuating FCT/USD price, we calculated two scenarios for a Minimal Viable FCT/USD price for Services:

1. Minimum FCT/USD price for minimum services. (One/Two Nodes: **\$3**)  
In this scenario we only run authority/guard Nodes (monitored & managed).
2. Minimum FCT/USD price for minimum basic services. (One/Two Nodes: **\$6**)  
We can operate Factom authority/guard nodes (monitored & managed), as well as basic (but highly limited) admin and education/training services.

Note: We aim to use our contingency fund will to mitigate periods of negative FCT volatility as a backstop to funding shortfalls in the short term.

Estimated BEI **monthly** liquidity overview when operating two Authority Nodes

	\$5 FCT	\$10 FCT	\$15 FCT	\$20 FCT	\$30 FCT	\$40 FCT
<b>Revenue</b>						
Gross FCT	2246	2246	2246	2246	2246	2246
% FCT Left With Protocol	<b>0%</b>	<b>25%</b>	<b>25%</b>	<b>25%</b>	<b>25%</b>	<b>30%</b>
FCT Left With Protocol	0	561.5	561.5	561.5	561.5	673.8
Net FCT	2246	1684.5	1684.5	1684.5	1684.5	1572.2
% FCT Sold (Not Staked)	100%	100%	95%	95%	95%	95%
FCT Sold	2246	1684.5	1600.275	1600.275	1600.275	1493.59
FCT \$ Value at Sale	\$5.00	\$10.00	\$15.00	\$20.00	\$30.00	\$40.00
Revenue from FCT	\$11,230.00	\$16,845.00	\$24,004.13	\$32,005.50	\$48,008.25	\$59,743.60
Other Revenue	\$0	\$0	\$0	\$0	\$0	\$0
<b><u>Gross Revenue</u></b>	<b><u>\$11,230.00</u></b>	<b><u>\$16,845.00</u></b>	<b><u>\$24,004.13</u></b>	<b><u>\$32,005.50</u></b>	<b><u>\$48,008.25</u></b>	<b><u>\$59,743.60</u></b>
Unsold (Staked) FCT	0	0	84.225	84.225	84.225	78.61
Taxable \$ Staked FCT	\$0	\$0	\$1,263	\$1,685	\$2,527	\$3,144
Expenses - Server Arch, Subscriptions, IT Services	\$3,405	\$3,405	\$3,405	\$3,405	\$3,405	\$3,405
Professional Services	\$400	\$400	\$400	\$400	\$400	\$400
Travel	\$800	\$800	\$1,500	\$2,250	\$3,500	\$5,000
Marketing	\$300	\$500	\$1,000	\$1,500	\$3,500	\$4,000
Total Salary	\$5,700	\$10,500	\$14,500	\$19,000	\$26,500	\$36,000
3rd Party Production/Consulting, Sponsorships, Events	\$500	\$1,000	\$2,500	\$4,500	\$9,500	\$9,500
<b><u>Total Expenses</u></b>	<b><u>\$11,075</u></b>	<b><u>\$16,575</u></b>	<b><u>\$23,275</u></b>	<b><u>\$31,025</u></b>	<b><u>\$46,275</u></b>	<b><u>\$57,775</u></b>
Income before taxes	\$155.00	\$270.00	\$729.12	\$980.50	\$1,233.25	\$1,468.60
Tax Rate	21%	21%	21%	21%	21%	21%
Total Taxes	\$32.55	\$56.70	\$418.42	\$559.65	\$789.65	\$968.65
<b>Net Income</b>	<b>\$122.45</b>	<b>\$213.30</b>	<b>\$310.70</b>	<b>\$420.85</b>	<b>\$443.60</b>	<b>\$499.95</b>

### Estimated BEI monthly liquidity overview when operating one Authority Node

	\$5 FCT	\$10 FCT	\$15 FCT	\$20 FCT	\$30 FCT	\$40 FCT
<b>Revenue</b>						
Gross FCT	1123	1123	1123	1123	1123	1123
% FCT Left With Protocol	<b>0%</b>	<b>10%</b>	<b>20%</b>	<b>20%</b>	<b>20%</b>	<b>20%</b>
FCT Left With Protocol	0	112.3	224.6	224.6	224.6	224.6
Net FCT	1123	1010.7	898.4	898.4	898.4	898.4
% FCT Sold (Not Staked)	100%	100%	95%	95%	95%	95%
FCT Sold	1123	1010.7	853.48	853.48	853.48	853.48
FCT \$ Value at Sale	\$5.00	\$10.00	\$15.00	\$20.00	\$30.00	\$40.00
Revenue from FCT	\$5,615.00	\$10,107.00	\$12,802.20	\$17,069.60	\$25,604.40	\$34,139.20
Other Revenue	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500
<b><u>Gross Revenue</u></b>	<b><u>\$7,115.00</u></b>	<b><u>\$11,607.00</u></b>	<b><u>\$14,302.20</u></b>	<b><u>\$18,569.60</u></b>	<b><u>\$27,104.40</u></b>	<b><u>\$35,639.20</u></b>
Unsold (Staked) FCT	0	0	44.92	44.92	44.92	44.92
Taxable \$ Staked FCT	\$0	\$0	\$674	\$898	\$1,348	\$1,797
Expenses - Server Arch, Subscriptions, IT Services	\$3,275	\$3,275	\$3,275	\$3,275	\$3,275	\$3,275
Professional Services	\$400	\$400	\$400	\$400	\$400	\$400
Travel	\$200	\$700	\$700	\$1,500	\$1,500	\$1,500
Marketing	\$100	\$450	\$500	\$1,250	\$1,600	\$1,500
Total Salary	\$3,000	\$5,500	\$7,000	\$9,000	\$15,500	\$23,500
3rd Party Production/Consulting, Sponsorships, Events	\$100	\$1,200	\$2,000	\$2,500	\$4,000	\$4,500
<b><u>Total Expenses</u></b>	<b><u>\$7,075</u></b>	<b><u>\$11,125</u></b>	<b><u>\$13,875</u></b>	<b><u>\$17,675</u></b>	<b><u>\$25,675</u></b>	<b><u>\$34,675</u></b>
Income before taxes	\$40.00	\$82.00	\$427.20	\$644.60	\$829.40	\$964.20
Tax Rate	21%	21%	21%	21%	21%	21%
Total Taxes	<u>\$8.40</u>	<u>\$17.22</u>	<u>\$231.21</u>	<u>\$323.95</u>	<u>\$829.40</u>	<u>\$579.85</u>
<b>Net Income</b>	<b>\$31.60</b>	<b>\$64.72</b>	<b>\$195.99</b>	<b>\$320.65</b>	<b>\$372.15</b>	<b>\$384.35</b>