



PLEDGE CAMP

THE NEXT GENERATION
OF CROWDFUNDING

Whitepaper v. 2.1



INTRODUCTION

Pledgecamp is a next-generation crowdfunding platform that incorporates blockchain technology for security and accountability.

- **Backers** gain a decentralized escrow mechanism which protects their funds
- **Creators** receive wide-ranging project support and lower platform fees
- **Platform Users** can earn token rewards as they help the platform succeed

The Pledgecamp team has previously raised millions of dollars on Kickstarter and have become among the top 1% most-funded crowdfunding experts on the platform.

This paper outlines a new crowdfunding ecosystem that introduces a Market Network for hiring services and a Knowledge Center for crowdfunding research. A two-token economy with Pledge Coins (PLG) and Camp Shares (CS) powers the platform and compensates users for their contributions to the ecosystem.

The design objective of this economy is to align the incentives of all participants in the network. This is accomplished through security features such as Backer Insurance, and through the design of the Token Economy.

We hope you can discover our vision in reading this paper and join us as a future user. Please make sure to always review the latest version of this paper and other official information only from <https://pledgecamp.com>.

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FOREWORD

My name is Randi Zuckerberg. I'm the founder of Zuckerberg Media, an author, a radio host, and a lover of technology and entrepreneurs.

I've participated in crowdfunding across a number of different sites. I've had some good experiences, but I've also had a lot of experiences where I've been burned with a product that was never fulfilled.

Especially in this new economy, there is a lot of trust that goes into interactions with strangers. It will be more and more essential that we develop mechanisms where money is held in escrow or is phased out depending on certain milestones being reached.

That is why I've been so excited about smart contracts and some of the developments in crypto and blockchain. I think we have finally entered a world where people across the globe from one another can engage in really thoughtful, smart, entrepreneurial projects together.

It's time to make crowdfunding available across the globe, to take the intermediaries out who still get paid even if a project doesn't happen, and incentivize everyone to be aligned for a vision of entrepreneurship.

I consider myself a patron of entrepreneurship. I wake up every morning and I think, "how can I support more entrepreneurs?" More importantly, how can I scale my support of entrepreneurs? When I can support a project like Pledgecamp that is going to give millions of entrepreneurs a new opportunity to raise funding in a new way, for me, that is the vision.

Being able to really support and empower entrepreneurs—that is the dream.



Randi Zuckerberg

Founder & CEO, Zuckerberg Media



DEFINITIONS

Backer

A financial contributor to a crowdfunding campaign.

Backer Insurance

A security feature unique to Pledgecamp that secures campaign funds in escrow via smart contract.

Bounties

Simple marketing, creative, or other tasks that users perform for creators in return for Pledge Coin.

Campaign

A crowdfunding project, with a fixed funding period and goal.

Campaign Deposit

A refundable security deposit placed by creators in order to incentivize transparency.

Camp Share (CS)

A non-trading token asset that grants Moderator status to certain users and determines their compensation.

Creator

An entrepreneur or team launching a crowdfunding campaign.

The Crowd

The user base who participates in crowdfunding.

Crowdfunding

A decentralized funding model where funds are collected across a network of individuals.

ERC20

A technical standard used for issuing tokens on the Ethereum blockchain.

Gig Economy

A labor market defined by short-term, usually on-demand contracts for services.

Knowledge Center

A database of crowdfunding and business knowledge built and maintained by Pledgecamp users.

Pledge

A financial contribution to a campaign. Also referred to as "pledging" or "backing" a campaign.

Pledgecamp

A decentralized crowdfunding platform marrying the benefits of blockchain with crowdfunding.

Pledge Coin

An ERC20 token that enables payment and participation in Pledgecamp's features.

Smart Contract

A software function run in a decentralized manner on a blockchain.

Smart Crowd

An empowered user base unique to Pledgecamp that can earn secondary income for their contributions.

Staking

Committing a token to a period of non-use or transfer.

Token

A digital blockchain asset often used to facilitate the function of smart contracts.

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SECTION ONE

A Brief Introduction to Crowdfunding

Definition, market size, and socio-economic impact.

"Crowdfunding, sourcing funding across a network of supporters, is potentially the most disruptive of all of the new models in finance... We estimate crowdfunding could address a \$1.2 trillion opportunity over time."[1]

- Goldman Sachs Research; The Future of Finance (2015)

Modern crowdfunding emerged after the 2008 financial crisis, when many entrepreneurs found it impossible to raise funds from traditional banks and institutions.[2]

Online platforms allowed entrepreneurs to raise directly from communities of supporters without needing special connections to professional investors. A free market now determined which projects received funding, instead of the private dealings of elite venture capitalists.

Definition

Crowdfunding (also known as rewards-based crowdfunding) involves the delivery of goods or services in exchange for a contribution of funds. Online crowdfunding platforms connect projects with backers in exchange for a percentage, typically 5%.[3]

It is worth noting that rewards-based crowdfunding platforms such as Kickstarter or Pledgecamp do not generally permit the crowdfunding of equity or token offerings, although this may be included in the future Pledgecamp roadmap.

Market Size



Global Crowdfunding Transaction Value

Collective data of global revenue in 2018 and future projection of global revenue in 2022.



Figure 1 Global Crowdfunding Transaction Value[4]

Crowdfunding is shown to be effective at filling funding gaps, validating product ideas, and returning significant value for communities. Organizations created through crowdfunding have generated billions in revenue, employed thousands, and attracted hundreds of millions of dollars in follow-up venture capital. [5][6]

| Company | Total Raised | Results |
|-------------------|------------------------|---|
| Oculus | \$2.5M 9,500 backers | Acquired for \$2B (Facebook) launched commercial VR industry |
| Pebble Technology | \$33M 212k backers | Acquired (FitBit) launched smartwatch industry |
| Peak Designs | \$20M 95k backers | 8 successful campaigns #1 most crowdfunded active company |

Figure 2 Notable Crowdfunding Companies [7][8][9]

Socio-Economic Impact

Steve Case, billionaire founder of AOL and philanthropist, describes the potential of crowdfunding in this quote:

"Crowdfunding offers the potential for a radical evolution of our largely institutional framework for allocating capital through foundations, funds, and banks to a more individually driven and direct investment framework."[10]

In other words, crowdfunding shifts financial control away from exclusionary oligopolies and closer towards democratic communities. Crowdfunding's continued economic success would be a win for equality and society.

The average current distance between a VC and lead investment is only 70 miles, and just 2% of VC dollars go to female-founded companies. On the other hand, crowdfunding brings funding to non-coastal regions traditionally disregarded by VCs and is much more inclusive for women, who are in fact 13% more likely than men to achieve their crowdfunding goals. [11][12][13][14]



Democratic Influence of Crowdfunding

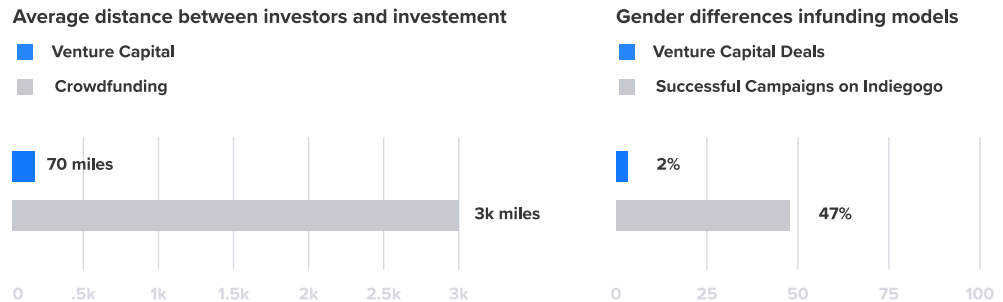


Figure 3 The Democratizing Effect of Crowdfunding [15][16][17]

The World Bank estimates that 344 million households in the developing world could contribute an additional \$96 billion per year to crowdfunding, led by China, East Asia, Central Europe, Latin America/the Caribbean, and the MENA region. [18] According to their report, this number would represent 1.8 times the volume of venture capital investments.

This speaks to a global shift in attitudes towards inclusiveness and decentralization in fundraising, and a huge future opportunity for crowdfunding. The question arises: is the current model of crowdfunding prepared to capture this massive potential?

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SECTION TWO

Crowdfunding Has a Trust Problem

Issues surrounding transparency, accountability, and centralization.

"Kickstarter isn't liable for any damages or losses related to your use of the Services. We don't become involved in disputes between users... We don't oversee the performance or punctuality of projects."[19]

-Kickstarter, Terms of Use (2018)

Current crowdfunding platforms lack security features that protect backer funds and keep project creators accountable. Consequently, the projects on these platforms exhibit extremely high rates of failure.

Here we consider Kickstarter, the crowdfunding platform with the most brand recognition. In a study of crowdfunding projects on Kickstarter, Wharton School professor Ethan R. Mollick discovered that as many as 85% delay delivery while 14% fail to deliver what was promised.[20][21]

| Company | Total Raised | Results |
|---------------------|--------------|---|
| Cooltest Cooler | \$13M USD | Only 1/3 of products delivered, requested additional backer funding |
| Ouya Gaming Console | \$8.5M USD | 3+ Months delayed delivery, shipped to Amazon before backers |
| Superscreen | \$2.5M USD | Cancelled abruptly after 10 Month Delay, No refunds issued |
| Zano Drone | \$3.5M USD | Filed bankruptcy, failed to deliver altogether |
| Skully Helmet | \$2.4M USD | Filed bankruptcy, failed to deliver altogether, legal allegations |

Figure 4 Table of Kickstarter Failures [22][23][24][25][26]

The impact of this problem on user confidence is seen in the numbers. In total over US\$ 500 million dollars¹ have gone to failed projects on Kickstarter alone, and less than one-third of their 15.7 million users have supported a second project.[27]

¹ This figure is derived from the \$3.65 billion "Successful Dollars" on Kickstarter as of January 31, 2019 multiplied by the cited 14% failure rate, defined by a project not delivering what was promised, or nothing at all.

For crowdfunding to reach its full potential as described above, we must address the following three core problems:



1. A Lack of Accountability

Once creators successfully raise funds in a crowdfunding campaign, they spend funds however they see fit. If promised deadlines come and go without results, backers can do little but wait and hope.

Platforms are complicit in this high rate of failure by not holding creators accountable to their promises. This is because doing so puts the burden of responsibility on the platforms as dispute arbitrators or escrow agents, incurring mediation responsibilities and overhead costs.

Instead, pledge are labelled as “donations”, making it nearly impossible for backers to recoup their losses through legal means.[28] Creators are able to deplete the entirety of funds, whether it is due to poor management or lack of preparation, and simply move on.

It is no surprise that when creators are able to overpromise and underdeliver without consequences, the result is frequent delays and failures. This leads to disappointment and damaged trust in the ecosystem.



2. A Lack of Transparency

Crowdfunding campaigns end after a defined amount of time, which incentivizes creators to prioritize marketing and raise as much money while time is available.

A slick marketing video and description page are effective at raising funds, so road-mapping and company disclosures take second priority. Backers are often left to analyze highly marketed campaigns without substantive information from the creators.

This leads to information asymmetry between creators and backers which prevents backers from protecting themselves. Because Kickstarter privately verifies a creator’s personal information, backers may see this as validation of the truth of a campaign’s marketing claims by allowing the project to list. However Kickstarter makes no such endorsements with their listing process. [29]

Incentivizing creators to provide more pertinent disclosures around identity and business operations would lower the risk for backers to invest and increase confidence in the model.



3. Centralization

Centralization places additional constraints on crowdfunding's ability to scale. Currently, Kickstarter creators must reside in one of 22 countries, equivalent to only 11% of countries in the world.[30] Challenges around handling multiple currencies and a centralized screening process for listing incurs massive overhead and logistics to achieve at a global scale.

In addition, centralization means that the parties in control are able to implement whatever restrictions and exclusionary policies they wish—a problem with institutional investing that crowdfunding emerged to address in the first place.

For example, Kickstarter requires creators to hold a bank account and major credit or debit card, even though 38% of adults worldwide remain excluded from the financial system.[31] In addition, the platform has chosen to ban fundraising for energy drinks in addition to other, otherwise legal, products.

A practical concern of this centralization is that a business model dependent on listing fees creates a financial incentive to list as many campaigns as possible, regardless of quality. As Finance professors Cumming and Hornuf point out in *The Economics of Crowdfunding*, such profits "depend not on the ultimate success of the venture but on the success of the fundraising campaign." [32] Centralization prioritizes the financial incentives of those in control, which do not in this case best serve the participants.

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SECTION THREE

The Solution Is Pledgecamp

A timely union of blockchain and crowdfunding.

"If platforms intend to operate in the market over a considerable period of time, they should, in line with Rochet and Tirole (2003), have good incentives to serve the interest of all market participants including the investors."[33]

-Cumming and Hornuf, The Economics of Crowdfunding

In order for an ecosystem to succeed in the long term, parties must be incentivized towards shared goals. In crowdfunding, creators and platforms should be equally invested as backers in the successful delivery of products.

Pledgecamp fixes long standing problems in crowdfunding by introducing accountability and transparency with smart contracts, and by aligning user interests through an inclusive and rewarding token economy.

Crowdfunding at its core is decentralized and democratic, but as noted in Section Two, the current implementation has been centralized and limiting. The distributed nature of blockchain is a logical fit with crowdfunding, and allows us to bring these much-needed features to crowdfunding now.

Backer Insurance

Backer Insurance is a security feature unique to Pledgecamp that enforces accountability by empowering backers to monitor the usage of their contributions. A smart contract holds a percentage of campaign funds in escrow, which is released to creators as project milestones are met. Milestones are defined before funds are raised so that the expectations between creators and backers are clear from the beginning.

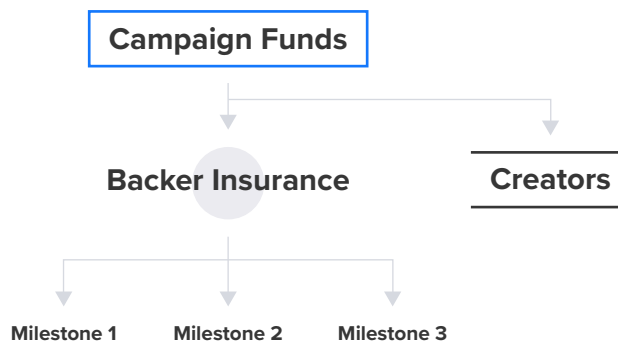


Figure 5 Backer Insurance Flow

Backers verify these milestones through democratic vote. It is important to note that backers do not have voting rights which dictate management decisions of the creator. The vote is specifically a distributed method of verification and mediation.

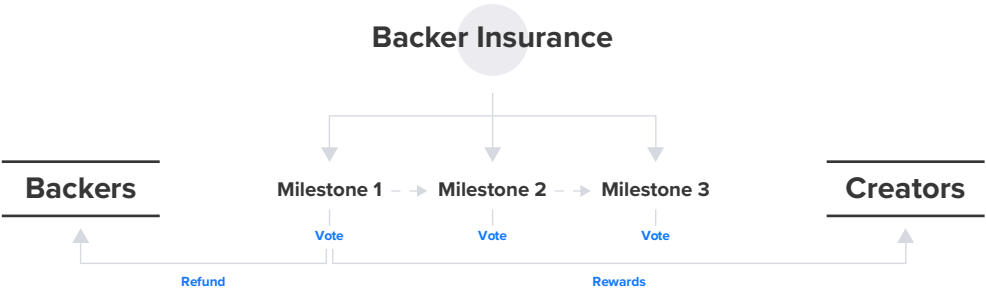


Figure 6 Backer Insurance Funds

Blockchain and smart contracts are necessary to make Backer Insurance possible. Instead of requiring teams of lawyers, creating smart contracts is essentially free, judgment is automated, and enforcement is guaranteed. There is no centralized party that assumes custodianship of funds or inherits mediation liability for user disputes. Responsibility lies with the very backers whose funds are at stake.

How it Works

Before launching a new campaign, creators provide a detailed roadmap with milestones, and determine how much Backer Insurance is appropriate for their project. The more Backer Insurance a creator offers, the lower the listing fee they must pay.

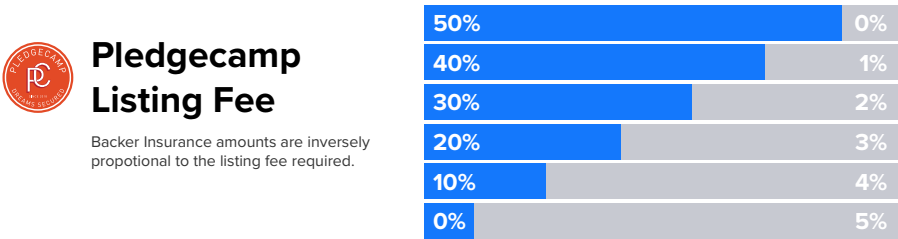


Figure 7 Relationship Between Backer Insurance and Listing Fees

Once a campaign is successfully funded, the Backer Insurance is automatically held in a smart contract encoded with the agreed-upon milestones and voting days. As a voting date approaches, creators are able to demonstrate evidence of progress and justify their use of funds.

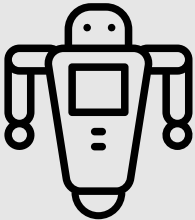
The campaign will continue to completion unless backers decide to cancel the campaign with a majority vote of “no confidence.” In this case, backers receive a partial refund according to the Backer Insurance amount and will no longer receive a product from the creator.

The voting system allows creators the chance to present themselves and continue their projects, even despite delays. It is up to the backers to evaluate the creator’s progress and trustworthiness in deciding to continue the project. A transparent and communicative creator may be able to instill confidence in backers and overcome delays.

In this way, Backer Insurance creates a powerful incentive for creators to set realistic deadlines and remain transparent and accountable throughout the life of the project—a desirable result even when setbacks sometimes occur.

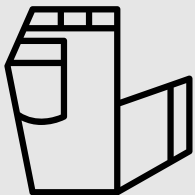
Illustrative Example

The following is a hypothetical example for illustrative purposes only:



Carol is developing a new laundry-folding robot. She pledges 40% of funds to Backer Insurance and promises to build a prototype that folds pants in six months.

Fundraising is successful and after six months, Carol shares a video of the prototype folding pants as promised. Thanks to this proof, backers are confident that she can deliver the final product and agree to release the remaining Backer Insurance funds to Carol. Carol uses this final injection of funds to deliver the finished robots as promised. Backers are happy and Carol is able to start her new business.



An alternate hypothetical scenario:

The first milestone arrives and Carol cannot prove any money was spent on the prototype, and backers discover that her main manufacturing partner dropped her for not receiving payment. Over 51% of backers vote that she did not fulfill her obligations and decide to recover the Backer Insurance. Because Carol provided 40% Backer Insurance, all backers receive 40% of their original contributions. In this worst-case scenario, backers experience a loss but at least have control over the outcome and partial refunds.

Campaign Deposits

Before starting a new campaign on Pledgecamp, creators must place a refundable security deposit prior to listing. This Campaign Deposit creates a financial penalty for spam on the network and incentivizes creators to be more transparent while promoting their projects.

Campaign Deposits are fully refundable provided the creator performs enough “transparency tasks” including, but not limited to, uploading business registration documents, identification, proof of contracts, intellectual property registrations, code repositories, personal references, or even answering questions on live video. Each action refunds a fixed amount of the deposit until it is fully refunded.

For example, a creator may choose the five disclosures most applicable to their project and reclaim their deposit with those. Although the blockchain is unable to automatically verify that these disclosures are genuine or valuable, making them public allows the crowd to scrutinize and evaluate them. Backers may use this increased information to ask further questions and make educated decisions. Partial or full refunds of Campaign Deposits are returned once the funding period is over.

If a creator declines to perform these tasks, any unrefunded Campaign Deposit will be forfeited when the campaign is launched. Creators will be left to explain to backers why they preferred to lose their deposits rather than be more transparent.

Decentralization

Ultimately, the purpose of Pledgecamp is to align incentives to create an open and distributed model of innovation. In crowdfunding, the most valuable resource is the crowd itself, with all of the skills, knowledge, and connections contained within. Pledgecamp strives to enable what we call the “Smart Crowd”: an empowered user base that contributes more than just monetary value to the ecosystem.

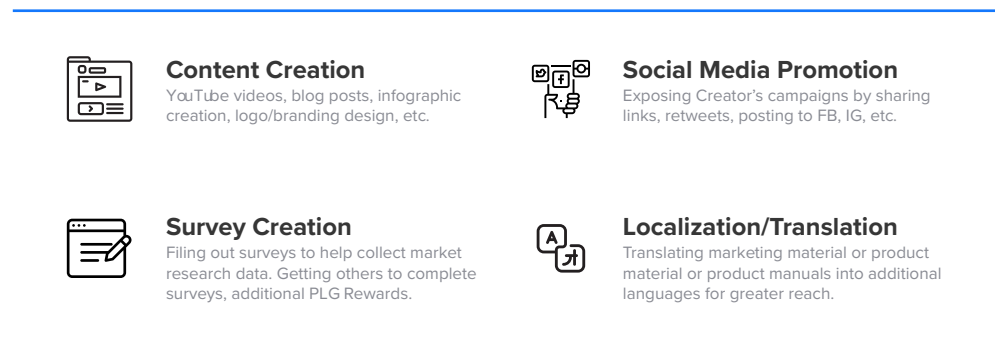
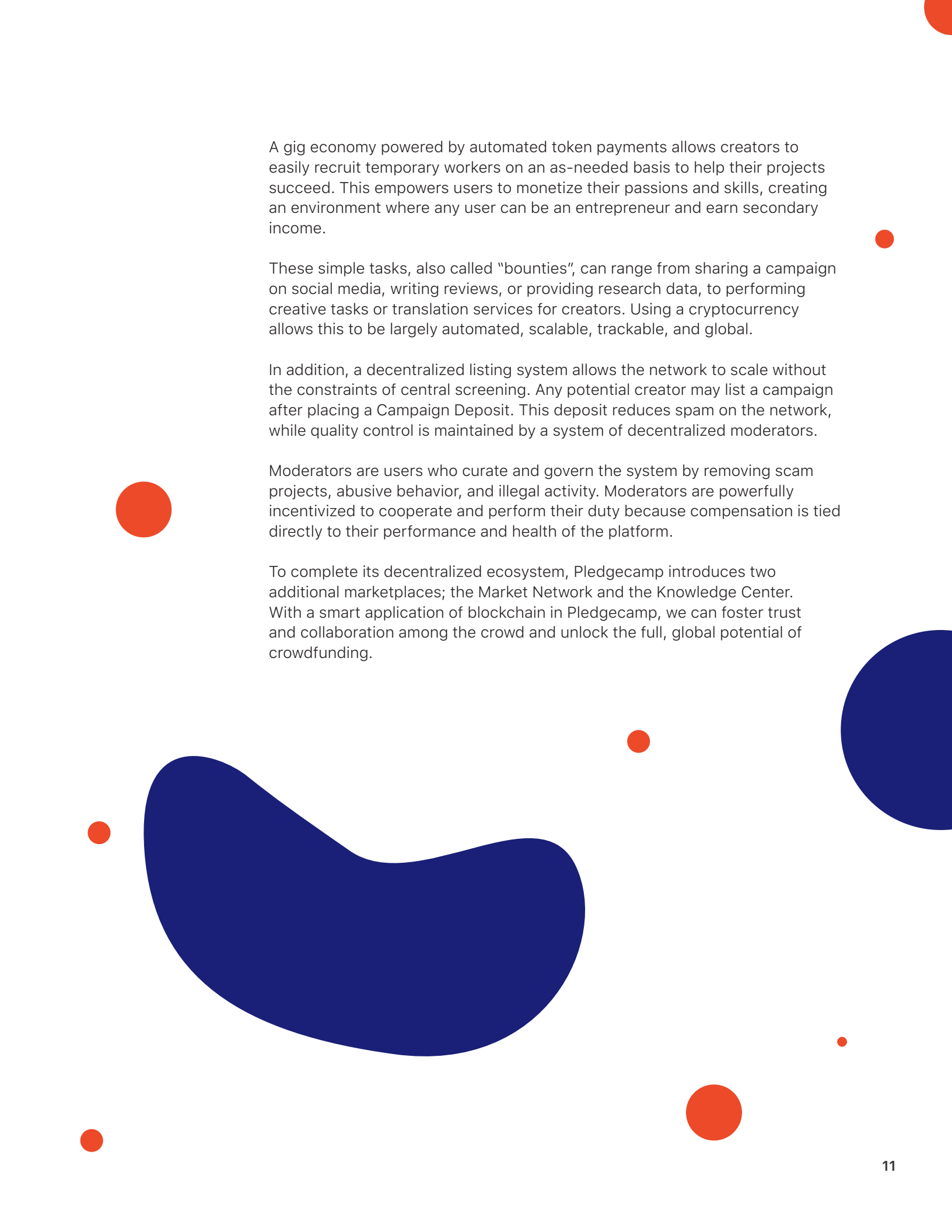


Figure 8 Contributions by the Smart Crowd

A decorative graphic featuring several red circles of varying sizes and a large, dark blue, irregular blob shape. The red circles are positioned at the top right, middle left, and bottom of the page. The blue shape is a large, organic form that occupies the lower half of the page, extending from the left towards the center.

A gig economy powered by automated token payments allows creators to easily recruit temporary workers on an as-needed basis to help their projects succeed. This empowers users to monetize their passions and skills, creating an environment where any user can be an entrepreneur and earn secondary income.

These simple tasks, also called “bounties”, can range from sharing a campaign on social media, writing reviews, or providing research data, to performing creative tasks or translation services for creators. Using a cryptocurrency allows this to be largely automated, scalable, trackable, and global.

In addition, a decentralized listing system allows the network to scale without the constraints of central screening. Any potential creator may list a campaign after placing a Campaign Deposit. This deposit reduces spam on the network, while quality control is maintained by a system of decentralized moderators.

Moderators are users who curate and govern the system by removing scam projects, abusive behavior, and illegal activity. Moderators are powerfully incentivized to cooperate and perform their duty because compensation is tied directly to their performance and health of the platform.

To complete its decentralized ecosystem, Pledgecamp introduces two additional marketplaces; the Market Network and the Knowledge Center. With a smart application of blockchain in Pledgecamp, we can foster trust and collaboration among the crowd and unlock the full, global potential of crowdfunding.

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SECTION FOUR

The Pledgecamp Ecosystem

A Market Network and Knowledge Center complete the Pledgecamp ecosystem

"Blockchain is the platform that enables real peer-to-peer transactions and a true "sharing economy"... It's time to jump in."[34]

-IBM; Blockchain and the Sharing Economy 2.0 (2016)

Crowdfunding is one step in the overall journey for a creator. Successful innovation depends on access to the right partners and information. The Market Network and Knowledge Center are built upon this premise.

Current platforms fall short in providing these extra resources to creators. In many cases, these first-time entrepreneurs do not have extensive professional networks or ability to judge who the right partners are for them. On Pledgecamp, any entrepreneur will be able to search for trustworthy help in a secure and decentralized way.

With token incentives, participants in these marketplaces can interact in an open and decentralized way.

Market Network

The Market Network is a decentralized marketplace for services where creators can hire professionals to work on their projects. Using the Market Network provides significant advantages to both creators and vendors concerning trust and payments.

Because each project is unique, the specific fit between service provider and client is very important and the focus is on building long-term relationships around a complex project. This requires a marketplace that exhibit features of a social network—hence, "Market Network." [35]

On Pledgecamp, creators can see reviews of vendors that are immutable on the blockchain and open to all for review. Seeing a past roster of clients and a history of success or failure will give creators a reliable way to find the trusted help they need.

Smart contracts make drafting and enforcing vendor agreements essentially free, and paying with a cryptocurrency like Pledge Coin means cross-border transfers and transactions fees are a non-issue.

Another advantage is that payment contracts on the blockchain are transparent. Vendors will have confidence that they will be paid as promised

when funds are collected, and backers will see that funds are spent as promised. The increased transparency can give confidence to a prospective backer and make them more likely to trust and support the creator.

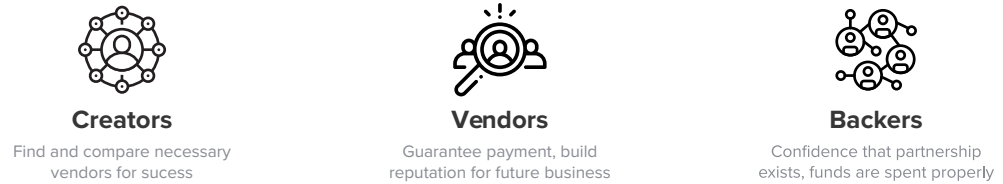


Figure 9 Market Network Benefits

In summary, creators who use the Market Network can demonstrate to backers that they have the partnerships in place to execute. Backers can pledge with confidence, knowing that smart contracts will enforce payments to these partners as promised. And vendors will know that a good job performance will be preserved on the blockchain forever and determine their future business. Thus, incentives are aligned towards achieving cooperation and results together.

Knowledge Center

This Knowledge Center will catalogue the expertise of the crowd specifically as it pertains to entrepreneurship, product development, and crowdfunding. Access to information is often the difference between success and failure, and currently there is not a clear market leader offering a forum and database for crowdfunding knowledge.

This section will consist primarily of a forum for questions and answers and a searchable database. Information can range from general crowdfunding queries to specific project-level questions. Members of the Smart Crowd will have the opportunity to answer and build their reputations, or even be rewarded with tokens if offered.

The Knowledge Center will be a community-driven effort, and there is a strong incentive for vendors in the Market Network to contribute. Vendors who participate will demonstrate their expertise with a steady flow of informative content and answers to user questions. Upvotes and best answers chosen by the community will contribute to a vendor's increased reputation and status on the platform.

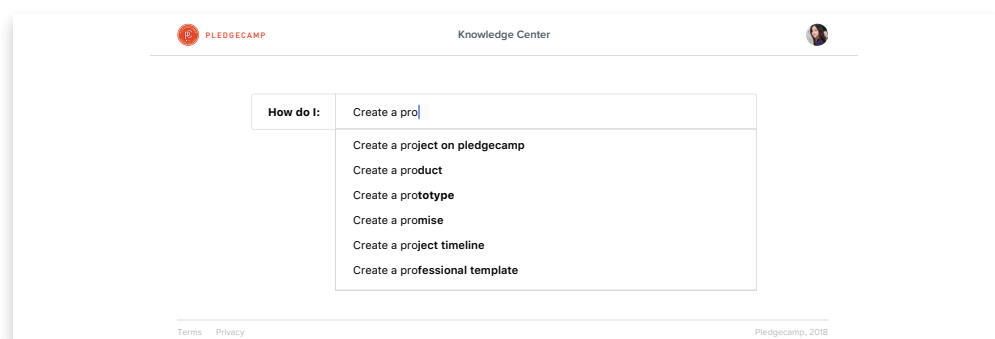


Figure 10 Knowledge Center Search

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SECTION FIVE

User Moderators

Decentralized moderators police user behavior in exchange for platform fees

"The best for the group comes when everyone in the group does what's best for himself and the group." [36]

-Nobel Economist, John Nash

On Pledgecamp, users are ultimately responsible for the listing, curation, and outcomes of campaigns. As a result, responsibility for the success of the platform is spread across the entire network of participants and requires distributed moderation.

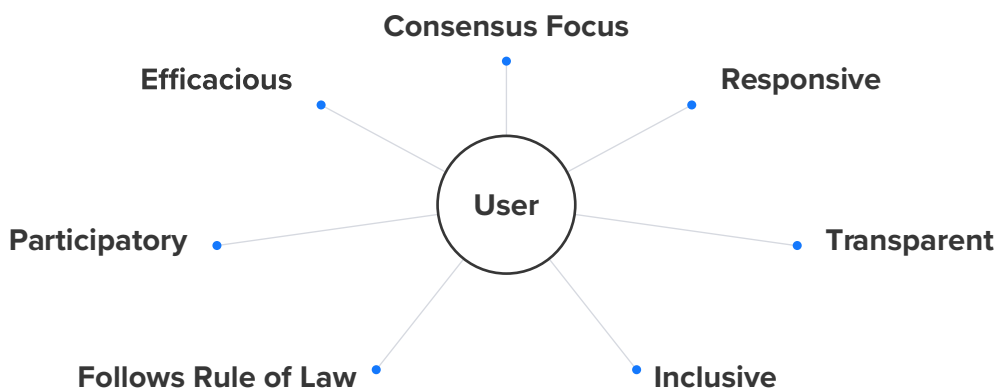


Figure 11 Pillars of Effective Governance

Moderators perform key functions that maintain the health of the system by removing listings and user behaviors that violate the Terms of Service. Moderators earn the right to perform this work by demonstrating stake in the platform, ensuring that their personal interests are in line with those of the platform as a whole. In this way, Moderators are motivated to achieve consensus on the truth and resist corruption.

Moderators receive the listing fees generated by the platform as compensation for their role. As the platform grows more successful through their actions, the listing fees should similarly grow in proportion. In this way, Moderator compensation is tied to the health and success of the platform.

Moderation Process



Procedure for Moderator Governance

1. User flags an alleged violation of the Terms of Service
2. Statistically significant flagging will trigger Moderator intervention
3. Consensus of 7 or more Moderators needed for corrective action
4. Moderators are awarded listing fees for upholding their duties over time

Figure 12 Procedure for Moderator Governance

The first responsibility for spotting harmful behavior lies with the crowd. Any user who suspects instances of fraud, abuse, or other illegal activity may flag the alleged violation. Violations are defined by the Pledgecamp Terms of Service and are set by the community. When the number or rate of flags becomes statistically significant, the issue will be settled by a jury of Moderators.

A jury of 12 Moderators will randomly be assigned to decide the issue within 24 hours. Their identities will remain secret in order to prevent collusion. A consensus of at least 7 jurors is required to trigger a corrective action. If necessary, additional Moderators will be assigned until a minimum of 7 votes is recorded.

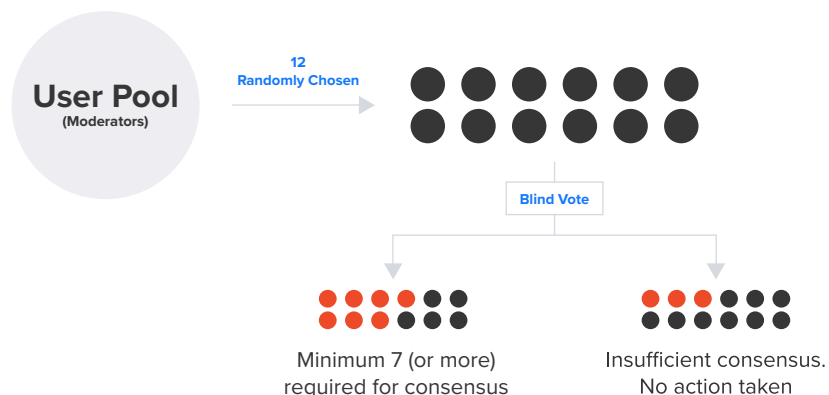


Figure 13 Moderator Process

Once consensus is achieved, the identities of the Moderators and their decisions will be made public to expose any potentially suspicious behavior. Moderators who are suspected of abusing their position may themselves be flagged and put before other Moderators. In addition, Moderators who fail to vote when summoned will lose their status after three strikes and their compensation will be forfeited to the remaining Moderators.

The implementation of the Moderator system is based on the game theory concept of Schelling Points (see Appendix 1.0) and trial procedures used throughout the world. The system may be optimized with platform launch data with consensus from Moderators.

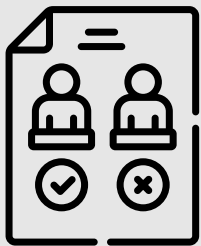
Illustrative Example

The following is a hypothetical example for illustrative purposes only:



Bobby discovers a newly launched Pledgecamp campaign promising to build equipment that manufactures illegal drugs. This is a clear violation of the Terms of Service and harmful for the platform's image. Bobby flags the campaign and presents his concerns to other users, who also flag the campaign.

8 Moderators agree that the campaign should be removed, 1 disagrees, and 3 fail to vote. With sufficient consensus achieved, campaign funds are automatically refunded, the Campaign Deposit is forfeited to the Platform Reserve, and the campaign is closed from collecting any additional funds.



An alternate example:

In a separate case, Bobby discovers a campaign that he and others suspect of making fraudulent claims. After the vote, only 4 Moderators feel there is sufficient evidence above suspicion of fraud, thereby allowing the campaign to continue. Still, potential backers are able to see that 4 independent Moderators agreed that there was reason for concern. Bobby is free to voice concerns in the comments that the creator can subsequently address, creating a transparent atmosphere where backers can make informed decisions.

Reward Scheme for Moderators

Moderators perform a critical role for the ongoing health of the platform, particularly as a replacement for centralized control and governance. As such, compensation should be commensurate with the importance of their role.

Listing fees are a logical choice for compensation because they represent real economic gain created under their governance, and will grow along with the success and impact of the platform.

Moderators are required to stake tokens to non-trading in order to demonstrate their alignment with the interests of the platform. The total of staked tokens on the platform will necessarily be less than the total fixed supply of tokens.

Compensation for Moderators shall be determined by this formula:

$$C(p) = F(p) * \frac{CS_{user}(p)}{CS_{tot}(p)}$$

- C is the Moderator's Compensation
- F is the total fees collected from campaigns
- CS_{user} is the average PLG stake of the user
- CS_{tot} is the average total PLG staked outstanding
- (p) represents the current period

The first term on the right-hand side of the equation, $F(p)$, denotes the entirety of listing fees collected by the platform in a current month. This is multiplied by the Moderator's stake of tokens (CS_{user}) divided by the total amount of staked tokens (CS_{total}).

In simple terms, a Moderator who hypothetically holds 5% of all tokens staked on the platform will receive 5% of the listing fees each month.

Averages of token stakes within each period, as well as a vesting period, are enforced to discourage a user from suddenly increasing their token stakes before the calculation is made.

Periodic compensation is enforced because Moderators are needed to remain "on duty" and perform their role responsibly over a period of time. Isolated payments for each vote make it challenging, if not impossible, to hold a Moderator accountable to their actions over time. In addition, it is not practical to put a price tag on each individual vote. Instead, periodic compensation for Moderators, who may be called upon to act at any time within a period, will satisfy this needed role over periods of time.

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SECTION SIX

Token Economy

A two-token system that encourages trust and long-term staking

"The important thing is that for the token to have a stable value, it is highly beneficial for the token supply to have sinks – places where tokens actually disappear and so the total token quantity decreases over time." [37]

-Vitalik Buterin, On Medium-of-Exchange Token Valuations (2017)

A two-token economy involving Pledge Coins (PLG) and Camp Shares (CS) powers the Pledgecamp ecosystem. The design of this token economy prioritizes stable token value as a medium of exchange (see Appendix) and incentivizing a distributed user base to cooperate for the long term health of the platform.

Pledge Coin (PLG)

A Pledge Coin is an ERC20 token on the public Ethereum blockchain that enables key features of the platform.



Uses for PLG

- 1. Payment**
Borderless, low-fee currency used to back campaigns and hire services.
- 2. Security**
Enables Backer Insurance and Campaign Deposits, restoring trust to crowdfunding.
- 3. Reward**
Enables automated bounties for the Smart Crowd performing verifiable tasks.
- 4. Staking**
Staking Pledge Coin awards Camp Shares to the user. Conditions apply.

Figure 14 Uses For PLG

Camp Share (CS)

A Camp Share is a non-exchange token that allows users to achieve Moderator status and earn compensation from the listing fees collected by the platform. Staking PLG to acquire CS acts as a "sink", a term described by Vitalik Buterin above, by effectively reducing the circulating PLG supply as demand for CS increases.



Uses for CS

- 1. Access**
Allows users to become trusted Moderators after demonstrating stake.
- 2. Governance**
Moderators maintain the health of the platform by removing behavior violations.
- 3. Earnings**
Moderators share the full campaign listing fees generated for their work.
- 4. Restrictions**
Camp Share tokens are not for sale, non-trading, requires KYC, and further restrictions.

Figure 15 Uses For CS

The restrictions for gaining Moderator status are as follows:

1. User must perform KYC and meet eligibility requirements for their jurisdiction
2. PLG is transferred to a non-trading "staking" smart contract
3. CS is awarded to the user at a fixed 1:1 ratio
4. A minimum balance of 10,000,000 CS is required to achieve Moderator status
5. Moderators must maintain their status by performing the required duties
6. Burning CS will return an equivalent number of PLG after a 30 day vesting period, reversing the stake

In summary, the Pledgecamp Token Economy achieves its major objectives through the use of Pledge Coins and Camp Shares. Pledge Coin enables access and powers the bulk of interactions in the ecosystem, while Camp Share allows participation in the Moderator work system and proves a user's alignment with the interests of the platform.

The end result of this economy is to reward those who add value to the network while aligning the incentives of all parties. Each party acting in their own interest is incentivized to act in the interest of the group. When incentives of all users are properly aligned, crowdfunding can finally realize its true distributed nature and support entrepreneurship and innovation across the world.

Token Distribution Overview

Pledgecamp will mint a total of 10 billion PLG in an initial token distribution. Each token will be valued at \$0.0001 at the time of public sale, for which

30 Billion PLG are available. Tokens for public sale are intended for future consumption on the platform in the form of pledging campaigns, hiring services, or achieving Moderator status. As such, users are required to perform identity verification, meet minimum eligibility requirements, and adhere to maximum purchase quantities per user, among our other terms of sale.

Pledge Coins will not generally be available to "U.S. Persons" as defined by US securities regulations and will be offered and sold outside the United States under the exemption provided by Regulation S under the Securities Act of 1933. The tokens have not been and will not be registered under the Securities Act of 1933. Refer to the complete "Risk Factors".

| Token Sale Details | |
|----------------------|-----------------------|
| Total Supply | 1,000,000,000,000 PLG |
| Public Distribution | 200,000,000,000 PLG |
| Hard Cap | \$20,000,000.00 USD |
| Soft Cap | \$5,000,000.00 USD |
| Remaining for Sale | 30,000,000,000 PLG |
| Price Per PLG | \$0.0001 USD |
| Minimum Contribution | \$50.00 USD |
| Maximum Contribution | Variable |

Figure 16 Token Metrics

Token Allocation

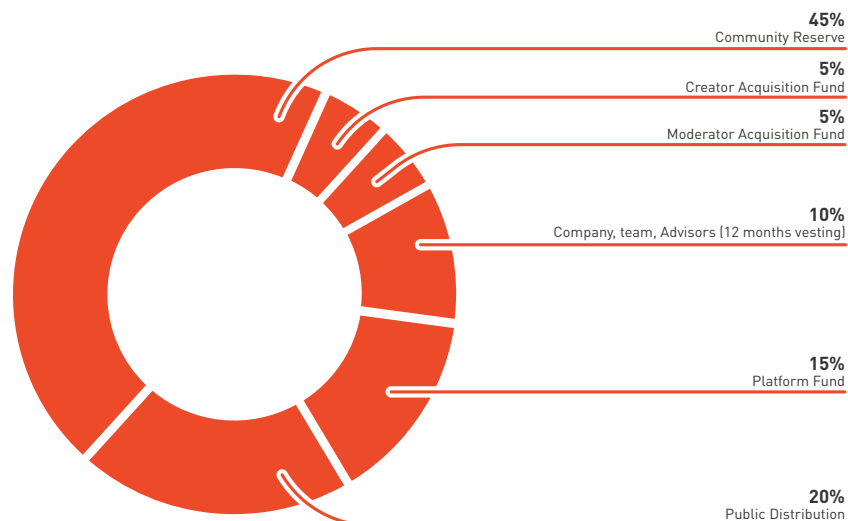


Figure 17 Token Allocation

Initial Moderator Bonus: 5%

5% of the initial Token Allocation, or 50 billion PLG, will fund the Initial Moderator Bonus. This fund addresses the concern that in the early stages of the platform, there may be insufficient listing fees generated to properly incentivize Moderators to perform their duties, although they are no less important.

To ensure that their vital duties are performed as needed, this Initial Moderator Bonus will supplement their regular compensation of listing fees according to the following formula until the fund is depleted permanently in 36 months.

Initial Creator Fund: 5%

5% of the initial Token Allocation, or 50 billion PLG, will fund the Initial Creator Bonus. This initiative to recruit initial projects to the early platform will take two forms. First, creators who run a successful Pledgecamp campaign will earn the following bonus:

$$C = PB * 0.2$$

- C is the Creator's Compensation
- P is the median pledge amount in PLG
- B is the number of individual backers

This amounts to an approximate 20% bonus added to the pledge of each backer. The cumulative bonus amount must be spent on services in the Market Network, to ensure that funds are used directly on their projects. This will also attract early vendors who can receive these funds. Any campaign suspended by Moderators is not eligible for this bonus.

In addition, portfolio companies of eligible startup incubators and accelerators will be awarded up to 5,000,000 PLG per company that lists on Pledgecamp. This incentive is to encourage companies to run their projects on our nascent platform.

If the Initial Creator Fund is not depleted after 36 months, the remainder will be allocated to the Platform Fund.

Company, Team, Advisors: 10%

10% of tokens will incentivize the company, team, advisors, and future hires, subject to 12 months of vesting after allocation.

Platform Fund: 15%

15% of tokens will fund key strategic partnerships, developer grants, ecosystem investments, and infrastructure improvements for the ongoing health of the platform.

Public Allocation: 20%

20% of tokens will be distributed to the public. Of this amount, 30 billion PLG are made available for public sale.

Community Reserve: 45%

45% of tokens will be reserved for maintaining the token economy in light of potential value fluctuations (see Appendix), additional infrastructure needs, and investments.

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SECTION SEVEN

Business Overview

Our mission, vision, team and competitors

"When I can support a project like Pledgecamp that is going to give millions of entrepreneurs a new opportunity to connect globally around their projects and raise funding in a new way, for me that's the vision... that is the dream."

-Randi Zuckerberg, CEO of Zuckerberg Media (2018)

Disruption occurs when deep industry insight combines with new technology to solve big problems. Our team includes top crowdfunding experts with over 25 years of collective experience as well as high-profile advisors in technology, business, and blockchain. We have raised millions of dollars on Kickstarter and have become among the top 1% most-funded experts on the platform.[39]

We are uniquely positioned with world-class partners who have previously helped launch products such as Coinbase and Slack. In addition, partnerships with business incubators provides a funnel for new startups to launch on Pledgecamp, while strategic investments from established blockchain companies like BitForex positions us for entry into the space.

Current market factors, along with the team's strong positioning, suggest that the creation of an open and trusted crowdfunding platform is both achievable and necessary. As shown in earlier sections, global crowdfunding offers the potential for huge social impact and profits. Ultimately, with the right infrastructure in place, the success of crowdfunding can be realized from the efforts and participation of the crowd itself.

Pledgecamp Mission

Our mission is to create the most trusted and open crowdfunding ecosystem.

Pledgecamp Vision

Our vision is to give any entrepreneur the opportunity to fund and deliver their innovations with the support of a global community.

Team



Jae Choi, CEO

Serial entrepreneur, success raising millions in venture capital and government grants. Delivered products to national retailers like Urban Outfitters. Former investment banker and tech PM. UC Berkeley BA in Economics. Active angel investor and advisor to numerous blockchain projects.



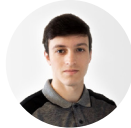
Eddie Lee, President

Serial crowdfunder, raised millions on Kickstarter and helped others raise millions more. Notable speaking engagements at UC Berkeley's Fung Institute, Kickstarter, and Backerkit. UC Berkeley Haas School of Business alum. Advisor to UC Berkeley's prestigious startup accelerator, SkyDeck.



Sam Pullman, CTO

Full-stack engineer and serial CTO. Coded PLG smart contract and sales platform. Developed mobile apps, firmware, and manufacturing processes for products shipped across the world. UC Berkeley BS Electrical Engineering and Computer Science. Blockchain expert and currency miner.



William Starr, Blockchain Engineer

Prior blockchain experience at Expa, Chief Architect of supply chain blockchain company, Paper. Udemy Instructor on full-featured MySQL course. Founder of ytraP.



Thomas Leupp, Full Stack Engineer

Led mobile app development at Cargomatic, a logistics tech platform which recently wrapped a \$35 million Series B with Warburg Pincus.



Tania Grebennique, Head of Operations

Led community management and marketing operations at ChefsFeed and the nonprofit Supergirls Club SF. UC Berkeley Extension Certificate, Marketing.



Darryl Boediarto, UX/UI Designer

Award-winning graphic and interactions designer. His product design received Best Design Honoree at CES 2016. Led design for products delivered to over 90 countries.

Strategic Partners

BitForex (<https://bitforex.com>) is the world's leading digital asset trading platform dedicated to providing users with safe, professional and convenient digital currency trading services. The BitForex team is comprised of industry leaders in blockchain technology. BitForex has made a strategic investment in Pledgecamp.

MetaLab (<https://metalab.co>) is an interface design firm located in Victoria, British Columbia. MetaLab is responsible for the design of Coinbase and Slack, currently valued at approximately USD\$5.1 billion. Other notable clients include Google, Disney, CBS, Fortune 500 businesses. MetaLab will conduct user research, wireframing, and full UX/UI design of the Pledgecamp platform.

Berlin Cameron (berlincameron.com) is a former Ad Agency of the Year Winner and renowned creative agency backed by WPP Group, the number 3 ad organization in the world. Past and current clients include Coca Cola, Gilt, Samsung, Vimeo, Amazon, Lexus, Vitamin Water, and many more. Berlin Cameron will produce a brand identity and market positioning to most effectively spread the Pledgecamp vision to a global audience.

MouseBelt (<https://mousebelt.com>) is the world's only full-service blockchain accelerator in the world. The MouseBelt team is investing immense engineering, business development, and marketing services into Pledgecamp in order to turn a world-changing idea into a world-changing business.

Dentons Rodyk (<https://dentons.rodyk.com>) is one of Singapore's oldest law firms with a team of around 200 lawyers offering clients a full suite of legal services necessary to do business locally and globally. Dentons Rodyk will help remove or mitigate legal and regulatory obstacles as Pledgecamp goes to the market.

Laudato Si Challenge (<https://www.laudatosichallenge.org>) is a startup accelerator in partnership to list portfolio companies as future projects on the Pledgecamp platform. The organization is closely tied to and hosts events within the Vatican in Rome.

Humanity 2.0 (<https://humanity2-0.org>) is strategically aligned with Pledgecamp and the Laudato Si Challenge to incubate startup companies that present solutions to humanity's most pressing problems on the Pledgecamp platform.

Advisors

Randi Zuckerberg—Founder of Zuckerberg Media, former Facebook executive, author, host, speaker, and supporter of entrepreneurship. Pledgecamp is Randi's first engagement with a blockchain company. She also serves as an advisor to Huobi Chain.

Matt Curcio—VP of Data at Ripple. Ripple is behind XRP, a top-3 cryptocurrency by market value along with Bitcoin and Ethereum. Matt is a technical advisor assisting the Pledgecamp team with hiring talent and building out the platform.

Keith Teare—Executive Chairman at Accelerated Digital Ventures, founding shareholder of TechCrunch, active blockchain advisor (ICOBX, Crypterium, Energimine, FluxFlux, Patron).

Prince Abdullah Bin Bandar Bin Abdulaziz Al Saud—Member of the Saudi Royal Family with extensive knowledge in blockchain and entrepreneurship and interest in advancing the Saudi entrepreneurial community. Advisor and investor to Pledgecamp.

Jim Augustine—COO at Zuckerberg Media, Managing Director at First Act Ventures, screenwriter, producer, NYU and Harvard alum.

Ryan Scott—CEO of ICO Advisory Group (AKOIN, BlockRX, LoyalCoin, STEAMRole, Elige.re, Guardian Circle), angel investor (Lottery.com, Tesla, Earth Class Mail). Founder of CauseCast.

Jorge Rodriguez—Ethical hacker and hands-on technical advisor assisting with security audits and smart contract design. Early team member and developer of Ethereum, advisor on notable projects such as Patron, Cedex, Bitfinex, Coinbase, Ebitcoin.org, and more.

Christian Sullivan—Super angel investor and entrepreneur with multiple billion-dollar exits (Cruise, Yandex), advisor at Republic.co and LP investor at Polychain Capital. Advisor and investor to Pledgecamp.

Edward Kim—VP of Business Development at GameFlip, General Partner at Cryptolux Capital, a cryptocurrency and digital assets hedge fund of funds.

Dr. SungJae Hwang—CEO of Foundation X, investor in EOS, NEO, Medibloc, Play2Live, PhD School of Culture Technology, KAIST, with 300 patents filed and issued. Advisor and investor to Pledgecamp.

Dr. Ryu Jung Hee—CEO of FuturePlay, CEO and founder of Olaworks (acquired by Intel), PhD, MS, and BS in Electrical Engineering and Computer Science from KAIST, Adjunct Professor at GSCT and KSIM—KAIST, owner of 100 patents in the US and South Korea. Advisor and investor to Pledgecamp.

Alan Chang—Lead of Operations, Human, at Airbnb. Led Hong Kong and Northeast Asia expansion since 2012, currently managing an operations team at SF headquarters. Advisor and investor to Pledgecamp.

Spencer Yang—Founding partner of #Chain, an esteemed blockchain accelerator. He also cofounded CryptoAudiences, the preferred advertising

agency partner of CoinMarketCap, and helped drive international growth for companies such as Cobo, CryptoKitties and CoinMarketCap.

Reshma Sohoni—Founding partner of Seedcamp, a London-based VC firm with investments in Transferwise, Codacy, Erply, Fishbrain, Codility, Winnow, Try.com, and more.

Patrick Yang—Founder and Managing Partner of Amity Ventures, former VP at Highland Capital, major investor in Monero and Tari.

Carlos Gotlib—Investor. CEO of Dreambits Labs and son of Adela Micha (Mexican journalist and TV news anchor and personality) with an extensive business network in Mexico.

Alvaro Garnero— Considered the “Mark Cuban” of Brazil, Alvaro has nearly 4 million followers between Facebook, Instagram, and Twitter. Alvaro’s TV reality show, “50 Por 1 Destinos Espectaculares,” boasts the second largest audience in Brazil. Advisor and investor to Pledgecamp.

Won Chang Yeon (KoreanRe) —Member of the founding, owning, and managing family of Korean Reinsurance Company, the largest reinsurance company based in Seoul, South Korea with shares listed on the Korea Stock Exchange. World’s 10th largest reinsurer in gross written premiums as of 2016. Advisor and investor to Pledgecamp.

Sponsors

United States National Science Foundation (Bay Area Innovation Corps)—A government-funded, Stanford University and UC Berkeley-sponsored training program and curriculum for entrepreneurs. The program “prepares scientists and engineers to extend their focus beyond the university laboratory, and accelerates the economic and societal benefits of NSF-funded, basic-research projects that are ready to move toward commercialization.” Pledgecamp participated in and completed this sponsored program in Q1 of 2018.

Foundation X—Top advisory fund in Korea and sister company to renowned Korean venture capital firm, FuturePlay. Providing key services such as white paper review, marketing, and endorsement to the Korean blockchain community. Advisor and investor to Pledgecamp.

LD Capital—Top advisory fund and early investor in ETH, Binance, NEO, Qtum, Eos, Vechain. Advisor and investor to Pledgecamp.

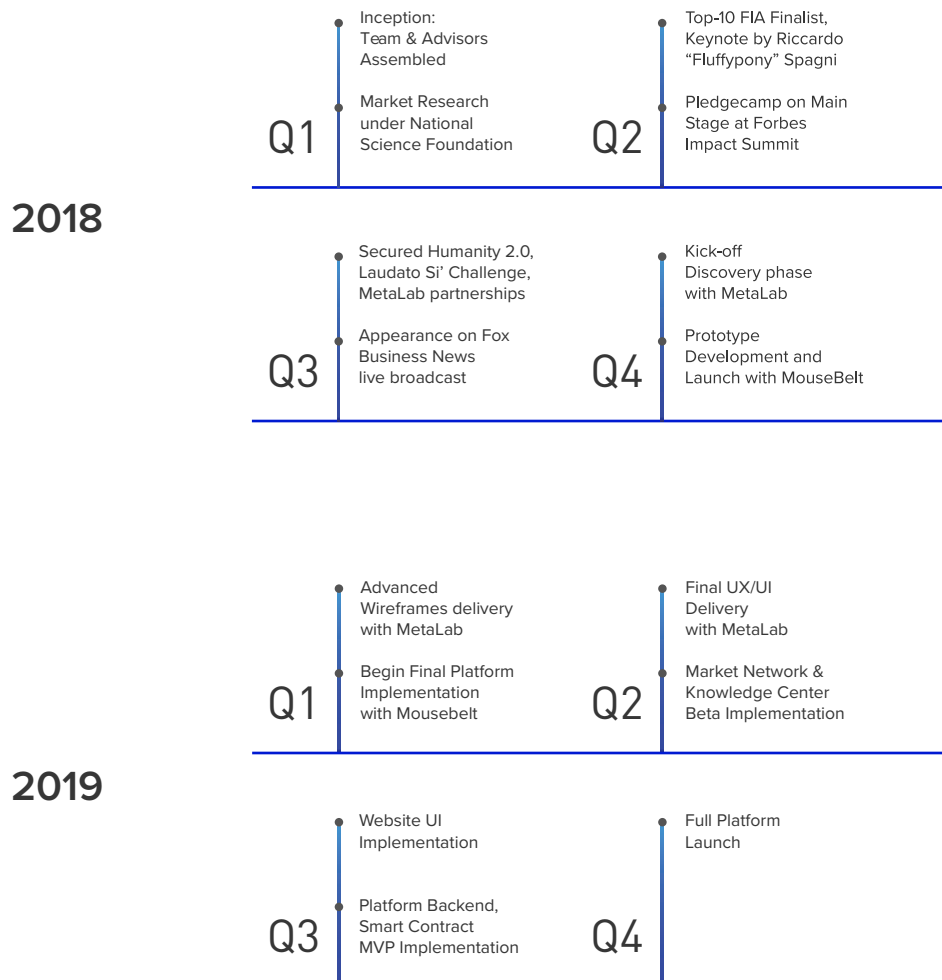
Link VC—Top advisory fund and early investor in Blockv, Tezos, QuarkChain, Quoine, Fantom. Advisor and investor to Pledgecamp.

DU Capital—Top advisory fund and early investor in IOTA, BAT, Tezos. Founded by Peter Du (Dulinxu). Advisor and investor to Pledgecamp.

Autark Ventures—Top advisory fund and investor in ICON, Wanchain, Hedera Hashgraph, Phantasma, Fantom, Nucleus Vision. Advisor and investor to Pledgecamp.

Additional Investors —ATH Capital, BitForex, Blockground Capital, Blockmon, BRP Capital, Circuit Capital, C&S Investment, Mars Capital, Nomad Capital, Origin Capital, Zorax Capital.

Roadmap



Competitors

Two of the market leaders in crowdfunding are the US-based Kickstarter and Indiegogo, founded in 2009 and 2008 respectively. The problems that affect these market leaders are described in great detail in Section Two. Some specific differences are highlighted below:

| | Pledgecamp | Kickstarter | Indiegogo |
|--|------------|-------------|-----------|
| Flexible Listing Fees | ✓ | × | × |
| Backer Insurance | ✓ | × | × |
| Escrow Service For Incremental Distribution of Funds | ✓ | × | × |
| Proof of Progress Throughout Campaign | ✓ | × | × |
| No Bank or Credit Card Required | ✓ | × | × |
| Decentralized Governance | ✓ | × | × |
| Ability to Earn by Working on Campaigns | ✓ | × | × |
| Incentivizes Creator Transparency | ✓ | × | × |

Figure 18 Competitor Matrix

FAQ

What is Pledgecamp?

Pledgecamp is a decentralized platform that aims to solve longstanding issues of trust and misaligned user incentives in crowdfunding.

Will there be a sale?

Please refer to the full Disclaimers and Risk Factors contained within this document. The tokens will not generally be available to "U.S. Persons" as defined by US securities regulations and will be offered and sold outside the United States under the exemption provided by Regulation S under the Securities Act of 1933. The tokens have not been and will not be registered under the Securities Act of 1933.

For non-US persons and non-US residents, subscribe to our newsletter at <https://pledgecamp.com>, join our whitelist, and join our Telegram (t.me/Pledgecamp) in order to keep current with all company announcements.

What makes Pledgecamp different?

Pledgecamp provides security for backers in the form of Backer Insurance and transparency requirements for creators. Blockchain allows users to mediate disputes and guarantee financial enforcement without requiring a third party mediator or custodian.

A decentralized marketplace further allows participants to be compensated for their contributions to the network, and to allow all people to join regardless of geography or demographics. A native token ensures that incentives are aligned, good behavior is rewarded, and that users benefit when their actions lead to the health and growth of the network.

Why Blockchain?

Blockchain allows strangers across the world to engage in complicated financial transactions within a programmable framework of trust. Without it, key benefits offered by Pledgecamp's new features would be impossible.

Crowdfunding is decentralized funding and innovation that aligns perfectly with the decentralized nature of blockchain technology, and it is an industry with key problems in the area of trust.

Pledgecamp utilizes blockchain technology to be the first to offer Backer Insurance, an escrow wallet framework that allows users to self-regulate without requiring intermediaries. A native token also incentivizes engagement with the platform, and aligns all users to act in the interests of the group as a whole. These improvements will be essential to fix crowdfunding as we move together towards a vision of global innovation.

What is Backer Insurance?

Backer Insurance is an escrow wallet powered by a smart contract which enables backers to protect campaign funds from misuse by creators. It provides a financial incentive for creators to be better-prepared before launching their campaigns and more realistic when setting initial expectations. Should creators fail to deliver on their promises, backers will have the option to recover the Backer Insurance amount instead of granting it to the creator to finish the project.

Is Backer Insurance safe from Sybil attack?

Rational actors will find there is little financial incentive in trying to manipulate the Backer Insurance vote. First, Backer Insurance is a portion of campaign funds that are withheld from the total amount. A scammer will find a greater incentive to run a scam on another platform (such as Indiegogo) where no funds would be withheld from the total and could instead scam for the entire amount.

Second, the campaign deposit system requires creators to make meaningful disclosures or else forfeit a financial stake. These disclosures will help make it apparent to a potential backer if this is a serious project and creator, or just a scam with no substance. Should the project to be found a scam and removed, the deposit will be forfeit. Because of the deposit and required disclosures, along with Backer Insurance, a scammer would find it more difficult and financially riskier with lower payout to run a scam on Pledgescamp. Because the nature of crowdfunding and innovation of crowdfunding involves risks, no system of rules can guarantee against loss or failure, but providing adequate transparency requirements and good incentives makes attacks or a black swan event unlikely.

Backers also do not have an incentive to attack and wrongly refund Backer Insurance because doing so would necessarily result in a financial loss (it is a partial amount of the whole funds). It is more of a last resort that provides compensation that backers would not receive on any other platform, and as a security mechanism that provides incentives for creators to behave better.

What benefits do creators receive?

Although many of the security features seem designed for backers, they will ultimately benefit a responsible creator as well. For example, campaign deposits and Backer Insurance are fully refundable and received by the creator if they simply keep their promises and provide transparency about their intentions to backers. In return, creators will pay significantly less listing fees, or even no listing fees, which can save much-needed capital for an entrepreneur.

In addition, access to the gig economy, marketplace features, and knowledge center on the platform provides much-needed access to resources and guidance that can be sometimes more important than straight cash for those building their businesses. For pros and first-timers alike, Pledgescamp will provide the support and opportunity needed to everyone, not just the well-connected elite.

And finally, a quality creator recognizes that a happy backer leads to a happy creator. If backers have confidence in the system, they will be more willing to provide the capital that creators are seeking. As stated in the White Paper, less than one-third of Kickstarter users return to back a second campaign—this equates to potentially millions of dollars left on the table due to low confidence, that we aim to recover for creators with our new mechanisms of trust.

What is PLG used for?

PLG, or Pledge Coins, are used for backing campaigns, placing deposits, holding value in Backer Insurance, exchanging services between network participants, and for staking in order to earn specialized roles and earning opportunities.

How does currency valuation affect platform features?

Because stability is a characteristic of maturity that the cryptocurrency markets have not achieved yet, several safeguards will be put in place to ensure short-term fluctuations do not threaten the normal operation of the platform.

When pledging campaigns, PLG may be committed but not collected until the moment funding concludes. PLG will be pegged to USD to ensure creators are collecting enough to complete their projects in the face of fluctuations. Should fluctuations occur, the amount of PLG will be automatically adjusted to account for the difference in the peg to USD. If a user committed a certain amount and is found to have insufficient PLG to cover the difference in value, the user will have the opportunity to acquire more PLG to continue their pledge, or cancel it.

Once Backer Insurance is committed to the blockchain, the platform will maintain its USD value at the point it is distributed to users. Excess PLG will be committed to the Platform Reserve, while a deficit will require taking PLG from the Platform Reserve.

Thus, in the short-term these mechanisms will help ensure that price commitments are honored despite movement in the USD-PLG exchange rate. In the long run these mechanisms will be less needed as cryptocurrency markets reach greater stability.

How is PLG distributed?

PLG will be pre-mined and distributed according to the Token Allocation plan. Users within certain jurisdictions may be restricted from acquiring PLG at the discretion of the Company. This document does not comprise a solicitation of sale or investment. Any information regarding a public sale or exchange listing are outside the scope of this document.

Where can I learn more?

Visit our website at <https://pledgecamp.com> and our blog at www.medium.com/pledgecamp.

Join our telegram channel at t.me/pledgecamp, or reach out via email to hello@pledgecamp.com.

Appendix

1.0. Schelling Points

At this point we will define further the concept of Schelling Points and their significance in game theory. Introduced by Nobel Prize-winning economist, Thomas Schelling in his book *The Strategy of Conflict* (1960), Schelling describes a “focal point for each person’s expectation of what the other expects him to expect to be expected to do.”³⁷

In layman’s terms, this Schelling Point is a solution that people will tend to use when faced with the problem of coordination without advanced communication. An example of this on the Pledgecamp platform may look like this:

Five users (blind to each others’ identities to prevent collusion) are elected as moderators and offered a reward payout by the system for correctly removing campaigns that promise to deliver illegal drugs. A campaign flagged by users clearly promises illegal drugs in violation of community rules. Each of the five moderators is faced with a choice: vote to remove this campaign, or vote to approve it as a false positive.

Each moderator knows that if their vote is in majority agreement with the other moderators, then they will receive the reward generated. If they are in the minority of the vote, they will lose their moderator status and receive no reward.

Thus, each moderator understands that the other mystery moderators are motivated to achieve consensus together in order to receive a reward. In the absence of any collusion or coordination, the logical solution for all parties will be to vote for the correct answer.

Even if a few moderators act irrationally, the overall outcome of the vote will likely not be affected and instead, they will only lose their moderator status and forfeit any potential reward for their contribution to the network. Thus, Schelling Points show how aligning the individual interests of users can simultaneously benefit the entire network and achieve consensus in the absence of a centralized authority.

1.1. Becoming a Moderator

To become a moderator, a minimum quantity PLG must be staked to receive Camp Shares (CS) which make you eligible to become a moderator. This sum shall be 10,000,000 PLG at the outset, though adjustable based on real-world data to ensure there are enough participating Moderators to sustain the system. Because Pledgecamp is built using a blockchain, the system can perform double-blind audits where Moderators do not know the actions other Moderators are taking, but these are all publicly recorded so a Reputation Score can be built into its framework. Moderators are compensated proportionally to their amount of PLG stake.

If a Moderator chooses the same outcome that over 51% of Moderators choose, that moderator will earn one point towards its Reputation Score. In the case that a Moderator votes in the minority, it will lose three Pledge Points. This is to incentive voting in a truthful manner, because in a blind vote, voting truthfully will most likely correlate with the majority (see “Schelling Points” described above).

This means any user can gain or lose Moderator status as an account may have a negative number of points.

The total number of Pledge Points a Moderator has is what yields a Reputation Score on Pledgecamp. Every Pledgecamp user has only one Ethereum address, so each Ethereum address will have its own Reputation Score. As users must KYC to become a Moderator, certain personally identifying details will be referenceable within the ecosystem. As such, users are unable to create duplicate accounts to become a Creator and also moderate on the approval of their own campaign or settle their own disputes.

The pool of Moderators will be put into a percentile framework based on the number of Pledge Points they have, creating a healthy level of competition inside of the Moderator network. Any bad actors in the Moderator pool that vote contrary to the majority in an attempt to create unjust outcomes will be penalized, resulting in a lower Reputation Score.

The Reputation Score is calculated using the following formula:

Reputation Score = Values Below Moderator Rank x 100 / Total Number of Moderators

For example, assume there is a total of five Moderators on Pledgecamp. These Moderators have the following number of Pledge Points they have earned: 24, 29, 38, 52, 61. To determine the Reputation Score of the Moderator with 52 Pledge Points, of the total sample size of five moderators, there are three moderators below their rank. In the formula it looks like:

$$\text{Reputation Score} = \frac{3 \times 100}{5} = 60 \text{ points}$$

Please note that five Moderators is for the ease of an illustrative example as Pledgecamp aims to have many thousands of Moderators on its platform.

The lower a Moderator's Reputation Score, the less weight their vote will hold. As other Moderators are acting in good faith on the platform, they will be gaining Pledge Points while bad actors are losing them, creating a faster deceleration for the impact bad actors can have on Pledgecamp's user governance model. If a Moderator fails to fulfill their duty to vote, their Reputation Score will also drop, due to a lower number of Pledge Points in the percentile category.

Should a Moderator's Reputation Score dip to an unacceptable number, the user will be suspended as a Moderator and not receive compensation for that period. However, their Reputation Score shall reset for the next period as the only "second chance" they will receive. Should their Reputation Score drop to an unacceptable level again, they will no longer be allowed to remain as a Moderator nor receive any compensation.

1.2. Ease of Use for Non-Crypto Users

Ease-of-use is a priority for the Pledgecamp platform design, and the objective is to appeal to the mass market and not a solely crypto-focused one. To that end, there may be a need to accommodate users who are unfamiliar with blockchain and do not want to deal with crypto wallets or exchanges to

use the product. As much as possible to aid user adoption, the platform will still protect these users with blockchain-powered functionality but streamline the experience to the point where backing a project on Pledgecamp may be similar, if not easier, than backing on Kickstarter or Indiegogo.

Backer Insurance will necessarily remain a blockchain feature controlled by smart contracts and backer vote, but the portion of campaign funds that are received by the creator at the conclusion of the campaign may “pass through” Pledgecamp and not require any conversion into cryptocurrency. This amount can be pledged in fiat, via credit card or other traditional method, and passed through to the creator, who will likely need fiat for many business operations.

A simplified diagram of such a proposed system may look like the following:

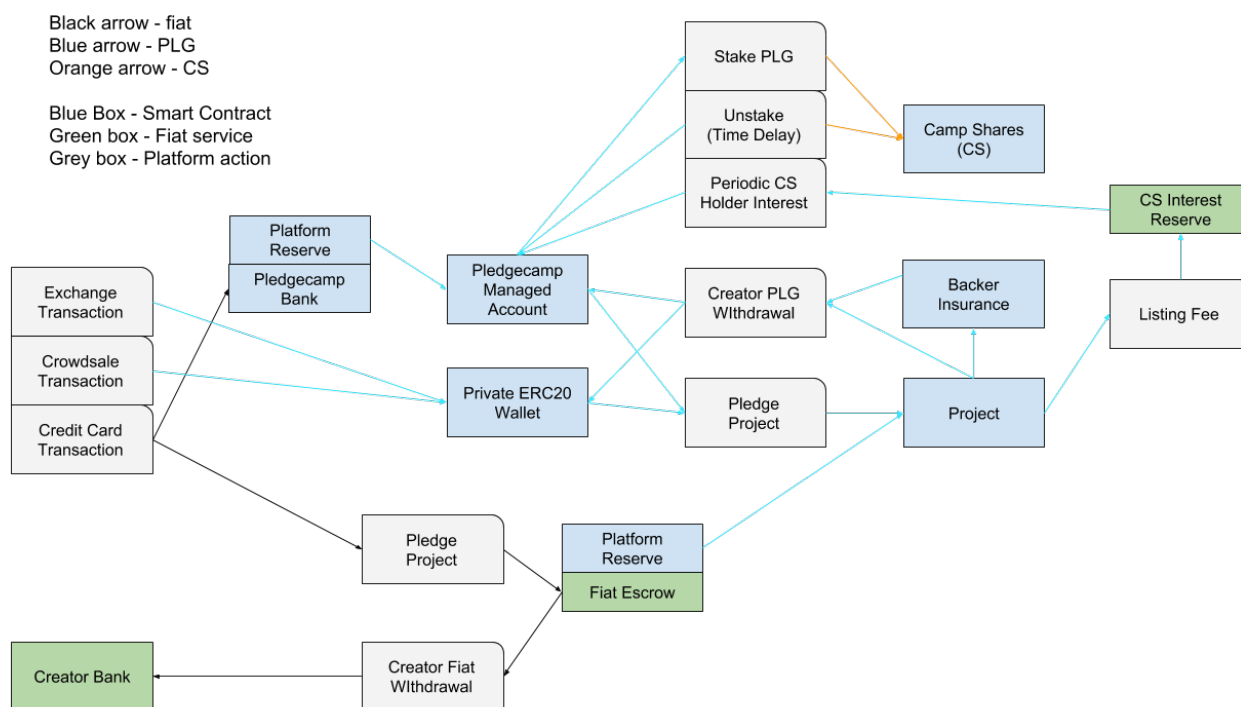


Figure 19 Currency Flow Diagram

Managed accounts are wallets that users can use on the platform to store and transfer their PLG or CS that are managed by the platform. Users may use private ERC20 wallets at any time as well.

As familiarity with cryptocurrency increases over time, the inclusion of fiat elements will become less and less important. As it stands now, this functionality and limited incorporation of fiat will not detract from the decentralized nature of listing procedures and Backer Insurance as a security mechanism. It also does not affect the sum of listing fees in any way that compensates only CS holders for their work. The objective of this possible payment flow is to increase user adoption and project listings, which will benefit everyone in the network.

Risk Factors

AN INVESTMENT IN PLG (THE "TOKEN") OFFERED (THE "OFFERING") BY PLEDGECAMP HOLDINGS LTD. (THE "COMPANY") INVOLVES A HIGH DEGREE OF RISK. PROSPECTIVE INVESTORS SHOULD GIVE CAREFUL CONSIDERATION TO THE FOLLOWING RISK FACTORS IN EVALUATING THE MERITS AND SUITABILITY OF AN INVESTMENT IN THE TOKEN. THE FOLLOWING DOES NOT PURPORT TO BE A COMPREHENSIVE SUMMARY OF ALL OF THE RISKS ASSOCIATED WITH AN INVESTMENT IN THE TOKEN. PROSPECTIVE INVESTORS SHOULD DISCUSS A POTENTIAL INVESTMENT IN THE TOKEN IN DETAIL WITH THEIR PROFESSIONAL ADVISORS. NO ONE SHOULD PURCHASE A TOKEN WHO IS NOT PREPARED TO LOSE THE ENTIRETY OF HIS, HER OR ITS INVESTMENT. CAPITALIZED TERMS USED BUT NOT DEFINED HEREIN SHALL HAVE THE MEANING ASCRIBED TO SUCH TERMS IN THE WHITE PAPER.

I. Investment Risks

You can lose all of your investment.

The Company can use the Purchasers' investments to develop the Platform. The Platform has not yet been developed and there is no guarantee that the Company will be able to develop a Platform that is operational. After the Platform becomes operational, the Company shall take steps as described in the [White Paper] to allow for a decentralized governance of the Platform where participants can list, curate, and fund projects and the Company would not have a say. As such, Purchasers may lose all of their investment in the Company in the event that the Platform does not become operational. Thus, investors are putting capital at risk without any certainty that they will ever receive any Tokens or a return on their investment. Further, even if the Platform becomes operational and the Company purchases and distributes Tokens to Purchasers, there is no assurance that any secondary market for Tokens will develop, or if a secondary market does develop, that it will remain through the life of the investment. Additionally, there are no guarantees that the Tokens will have any value, retain any value, increase in value, or receive any distributions of Token. Accordingly, the value of any investment in the Company and the value of Tokens may vary substantially over time and are subject to loss, including possible loss of the entire amount invested. Accordingly, investors should only invest if they can afford to lose 100% of their investment. There is no existing trading market for Tokens.

Tokens are new digital assets for which there is no established public market. There can be no assurance that a secondary market will develop or, if a secondary market does develop, that it will provide the holders with liquidity of investment or that it will continue for the life of Tokens. The liquidity of any market for Tokens will depend on a number of factors, including, but not limited to: (i) the number of Token and Token holders; (ii) the performance of the Tokens; (iii) the market for similar Digital Assets; (iv) the interest of traders in making a market in Tokens; (v) regulatory developments in the digital token or cryptocurrency industries and (vi) legal restrictions on transfer.

Purchasers will not have access to complete information regarding their investment in the Company.

Purchasers may not be able to obtain all information they would want regarding the Tokens or the Platform, on a timely basis or at all. It is possible that a Purchaser may not be aware on a timely basis of material adverse changes that have occurred which impact their investments. As a result of these limitations, a Purchaser may not have accurate or complete information about the Tokens or the Platform.

Investors need Independent Advice.

The Company has consulted with counsel, accountants and other experts regarding the formation and operations of the Company, as well as this Offering. Each prospective investor

should consult his own legal, tax and financial advisors regarding the desirability of an investment in the Company.

II. Legal and Regulatory Risks

The regulatory regime governing Digital Assets is still developing.

Regulation of Tokens, offerings of Digital Assets, blockchain technologies, and Digital Asset exchanges are currently undeveloped and likely to rapidly evolve, and vary significantly among non-U.S. and

U.S. federal, state and local jurisdictions and are subject to significant uncertainty.

Various legislative and executive bodies in the United States, South Korea, China, Singapore, among other countries, are currently considering, or may in the future consider, laws, regulations, guidance, or other actions, which may severely impact the Company and Digital Assets. Failure by the Company to comply with any laws, rules and regulations, some of which may not exist yet or are subject to interpretation and may be subject to change, could result in a variety of adverse consequences, including criminal and civil penalties and fines. New or changing laws and regulations or interpretations of existing laws and regulations would likely have numerous adverse consequences, including, but not limited to: (i) investors' ability to earn a return on its investment in the Company, (ii) the value of Tokens and the Tokens, (iii) the ability to make distributions of Tokens on Tokens, (iv) the liquidity and market price of the Tokens, (v) investors' ability to access marketplaces on which to trade Tokens, (vi) the Company's ability to operate as an ongoing concern and (vi) the structure, rights and transferability of Tokens. Therefore, there can be no assurance that any new or continuing regulatory scrutiny or initiatives will not have an adverse impact on the value of Tokens or an investment in the Company, or otherwise impede the Company's activities.

Regulatory determinations may make the Tokens illegal in certain jurisdictions or for certain categories of investors. It is possible that current or future regulations could make one or more of the Company and/or Tokens illegal in some jurisdictions, or for some categories of investors, which could possibly result in a winding down of one or more of the Company, or a decrease in value of the Company or Tokens. Because the Tokens haven't been formally classified by regulatory agencies, it is possible that subsequent determinations by regulators may prevent certain individuals or entities from using or holding one or more of the Tokens in the future. Such a determination could materially reduce the functionality and demand for the Tokens. Additionally, Tokens might be classified as a security under federal and/or state securities laws. If the Tokens, are considered securities then they may need to be registered, which also could significantly inhibit adoption and the value of the Tokens, as well as

increase the compliance costs of the Company. Depending on what regulatory classification(s) may be made, there may be other securities law issues under the Securities Exchange Act, Investment Advisers Act, Investment Company Act, Commodity Exchange Act, or other state or federal statutes or regulations. Federal Laws Regulating Money Services Businesses.

The Company may be treated as a money transmitter and so be required to register with the Treasury's Financial Crimes Enforcement Network ("FinCEN") as a money services business. If registration is required, then failure to register is a federal crime. If the Company is required to register, it will be required to develop an effective anti-money laundering program including policies, procedures and internal controls to verify customer identification; file reports; create and maintain records; file suspicious activity reports under certain circumstances; report transactions in currency; and respond to law enforcement requests. The Company would also be required to designate a compliance officer and obtain independent reviews to monitor and maintain an adequate program. Compliance with these requirements can be expensive, and failure to comply has resulted in substantial fines and other negative consequences for banks and other companies. The Company's compliance with these rules could be subject to special scrutiny, given the negative publicity associated with some other actors involved in transactions in digital currency.

State Laws Regulating Digital Assets.

Some states, including New York, either have adopted or are considering adoption of statutes or regulations which specifically regulate digital currencies. In 2015, the New York State Department of Financial Services ("NYDFS") finalized a rule that requires most businesses involved in digital currency business activity in or involving New York, excluding merchants and consumers, to apply for a license, commonly known as a "BitLicense," from the NYDFS and to comply with anti-money laundering, cyber security, consumer protection, and financial and reporting requirements, among others. As an alternative to the BitLicense in New York, firms can apply for a charter to become limited purpose trust companies qualified to engage in digital currency business activity. Other states have considered or are considering regimes similar to the BitLicense. The process of ascertaining the applicability of state laws in all or most states will be expensive and time consuming. There are very significant penalties for violation in some states. Failure to obtain a state license in states where a license is required can be a crime. Accordingly, to the extent the Company is subject to one or more of the above requirements it would likely have a material and adverse impact on the Company and the value of your investment.

Application of Securities Laws to the Tokens.

It is expected that the Platform can become Operational only if (1) Token is not a security and (2) the Tokens are either not securities or else are securities issuable in transactions exempt from registration under the securities laws or if certain compliance processes can be developed and integrated into the Platform. The Company may choose to seek an interpretative or no-action letter or other assurances or some other reaction from the SEC Staff regarding the proper characterization of the Tokens. There is no assurance, however, that the SEC Staff will entertain such a request, or respond to such a request, let alone respond favorably. Failure to obtain a favorable interpretive letter or no-action letter from the SEC Staff would leave the SEC free to sue the Company in an action undertaken to enforce the SEC's view of the law as applied to the Offering or the Platform or other facts that come to its attention. Even if the SEC Staff were to provide assurances that it does not disagree with the characterization of Tokens propounded by the Company, private parties such as offerees and purchasers of Token, Tokens and the Tokens would not be bound by the SEC's views and could assert claims against

the Company if disappointed with their participation in the Platform. Such claims could conceivably include rescission rights and fraud claims grounded in the securities laws. In addition, state and foreign securities regulators could bring actions against the Company, seeking to vindicate their own views of the proper application of their laws to offers, sales and resales of Token, the Tokens and the Tokens and the operation of the Platform. The results of defending and resolving any and all such possible disputes are impossible to predict but could amount to millions of dollars in defense costs alone. The amounts of damages or other cash awards payable in resolving such disputes are likewise impossible to predict, but could conceivably amount to the entirety of the funds raised by the Company, and more. Sanctions other than rescission and awards of actual damages could include injunctions and other equitable relief, plus, particularly in the case of claims brought by the government, civil money penalties, fines and exemplary or punitive damages.

Application of the CEA to Tokens and the Tokens

If the Token is not a security, then it may be a non-security commodity under the Commodity Exchange Act (the "CEA") and other laws, rules and regulations governing derivatives that are administered and enforced by the Commodity Futures Trading Commission (the "CFTC"). If the Tokens or Tokens (or either of them) are not a security, there is the risk it could be classified by the CFTC, and regulated as, a swap or at a minimum considered a non-security commodity. The CEA as administered by the CFTC imposes significant burdens on many participants involved in transactions in commodity futures, options on futures, swaps or other derivatives or transactions regulated by the CFTC (collectively, commodity interests), potentially including the Company, investors in this Offering and the Platform. Compliance with these laws, rules and regulations might be impractical or impossible. The CFTC might not characterize Token, Tokens or the Tokens consistently with the Company's views, which might lead to enforcement action by the CFTC or other negative outcomes for investors in this Offering, including the failure of the Platform Launch, the Platform being made operational in a non- U.S. jurisdiction and/or restricting some or all U.S. investors from accessing the Platform. Regardless of the views of the Company (or even the SEC), the CFTC could independently determine that the Tokens are swaps. Classification of the Tokens as swaps would restrict buying and selling of the Tokens in that only persons who are eligible contract participants ("ECPs") as defined in CEA Section 1a(18) and CFTC Regulation 1.3(m) are permitted by law to be counterparties to swaps (except in the limited circumstance where the transactions occur on a regulated futures exchange). Transactions in swaps, and parties to the transactions, also must comply with other various requirements under the CEA and rules of the CFTC, including, among others, reporting of transactions to a swap data repository and recordkeeping obligations. Also, if the Tokens, Tokens or Token are classified as swaps, then (i) the Platform (or the Company if viewed as the operator of the Platform) might need to register with the CFTC under the CEA as a swap execution facility and (ii) the person responsible for assuring that the holder (buyer) of a Token receives an allocation of Token when the specified conditions entitling the holder to receive Token are met might need to register with the CFTC under the CEA as a swap dealer. Swap execution facility ("SEF") registration and ongoing regulatory obligations currently imposed on the operator of a SEF are incompatible with the Company's open source distributed ledger model. Therefore, if the Tokens are classified as swaps, then the Company is highly unlikely to launch the Platform.

Where there is potential jurisdictional overlap between the SEC and CFTC and the legal classification of Token, Tokens, and Tokens is uncertain, there is no assurance that the

Company will obtain sufficient certainty on a timely basis to enable the Platform to become Operational in the U.S. or the widest audience desirable in the U.S. The SEC and CFTC are both focusing on cryptocurrencies and have asserted initial jurisdictional stakes; their analyses and views could evolve.

III. Market Risks

Digital Assets are volatile.

The prices of Digital Assets change rapidly. Currently, there is relatively modest use of Digital Assets in the retail and commercial marketplace compared to use by speculators, which contributes to price volatility of Digital Assets. This volatility makes it difficult to use Digital Assets for ordinary, non-speculative transactions. Despite the Company's intent to create a stable Digital Asset to be used in commercial transactions, the price of Digital Assets may be affected by many factors outside the Company's control such as supply and demand; mining incentives, availability and access to Digital Asset service providers (such as payment processors), exchanges, miners or other Digital Asset users and market participants; perceived or actual network or instrument security vulnerability; changes in regulation in the U.S. or other countries, inflation levels; fiscal policy; monetary policy; political, natural and economic events, and many other factors. The volatility of Digital Assets generally could impede the adoption and demand for Tokens, which could negatively impact the value of the Company and Tokens.

Investments in Tokens involve a very high degree of risk. Financial and operating risks confronting start-ups are always significant. The Company, and by proxy, the Tokens, should be considered even riskier than a traditional start-up. The market in which Tokens will compete should the Platform become Operational is highly competitive and the percentage of tokens and other Digital Assets that survive and prosper will likely be small. For the Company and the Tokens to become successful, the Company, which is a start-up in a nascent industry and run by a management team with limited experience operating a business, must likely overcome unexpected problems in the areas of product development, marketing, financing, regulation, and general management, among others, which in many cases, may be impractical or impossible to solve. Accordingly, the probability of failure is high.

IV. Operation Risks

Risks Involved with Creation of a New Distributed Ledger Network and Ecosystem.

The Platform has not yet been developed by the Company and will require significant capital outlays and a large commitment of time and effort by the Company's personnel in order to develop and successfully make the Platform Operational. Specifically, Tokens, the Tokens, the Tokens and the Platform rely on new, unproven technology, and neither the Company nor its management team has created a product like this before. Throughout the course of development, the Company may have to make changes to the specifications of Token, Tokens, Tokens or the Network, which may significantly increase the time to market. Further, the Platform, even if successfully developed and maintained, may not garner sufficient investor or user interest such that the Network is sustainable.

The Digital Asset Market is extremely competitive, and other networks have been and may be developed that are the same or similar to the Network.

The Company is developing technology in a highly competitive and increasingly saturated industry. It is possible that competitive networks could be established that utilize the same or similar open source code and protocol underlying the Platform and attempt to implement services that are materially similar to Tokens. The Platform may be forced to compete with these competitive networks, which could negatively impact the adoption of Tokens, which would likely adversely impact the value of the Company and Tokens.

The Company may be forced to Cease Operations or take Actions that Result in a Dissolution Event.

It is possible that, due to any number of reasons, including, but not limited to, an unfavorable fluctuation in the value of Digital Assets or fiat currencies, the inability by the Company to establish a viable financial ecosystem for the Tokens' utility, the failure of commercial relationships, regulatory issues, or intellectual property ownership challenges, the Company may no longer be viable to operate, and may dissolve or take actions that result in a dissolution event.

The Company may be subject to litigation and other claims. The Company, as an independent legal entity, may be subject to lawsuits or proceedings initiated by government entities or private parties. Any legal expenses and/or liabilities shall be borne by the Company. The Company may be accused of infringing intellectual property rights of third parties. The Company has not evaluated whether its technology does not or will not infringe upon the intellectual property rights of any third party, and may be subject to claims of alleged infringement of the intellectual property rights of third parties. Such claims, even if not meritorious, may result in significant expenditure of financial and managerial resources, payment of damages or settlement amounts, and reduced confidence in the Platform's viability and the ability of users to hold and transfer Tokens, Tokens and Tokens. Additionally, the Company may become subject to injunctions prohibiting it from using software, business processes, trademarks or other intellectual property that it currently uses or may need to use in the future, or requiring the Company to obtain licenses from third parties when such licenses may not be available on terms feasible or acceptable to the Company.

Risks associated with developing a new technology.

The Platform will use new technology. There are no guarantees that such technology will be bug-free or accepted by the marketplace. Thus, even should the Platform become operational, Tokens, Tokens and Tokens may be subject to the risk of

theft, loss, malfunction, or reputational risk, any of which can significantly degrade the value of such instrument.

Cybersecurity Risk.

The Company utilizes a substantial amount of electronic information. This includes transaction information and sensitive personal information of the Purchasers. The service providers used by the Company, may also use, store, and transmit such information. The Company intends to implement detailed Cybersecurity policies and procedures and an incident response plan designed to protect such information and prevent data loss and security breaches. However, such measures cannot provide absolute security. Breach of the Company's information systems may cause information relating to the transactions of the Company and sensitive Purchaser information be compromised to unauthorized third-parties.

Privacy Risk.

The Company may be compelled to disclose personal information about a Purchaser or multiple Purchasers to federal or state government regulators or taxation authorities. Accordingly, certain information concerning Purchasers may be shared outside of the Company.

The cryptocurrency that the Company holds in custody may be subject to theft, loss or destruction.

The Company will maintain custody of proceeds paid by Purchasers in ether and Bitcoin. Cryptocurrency holders and exchanges are vulnerable to security threats, including presently unknown threats that may emerge as technology advances. The Company believes that the cryptocurrency in its custody will be an attractive target to hackers or malware distributors. To the extent that the

Company is unable to identify, stop or mitigate such security threats, the cryptocurrency in the Company's custody may be subject to theft, loss or destruction, which could have an adverse impact on any investment in the Company.

V. Risks Specific to Tokens

Destruction of Tokens.

Tokens are intended to be accessible only by a party who possesses both the unique public and private keys relating to the local or online digital wallet in which such Tokens are held. To the extent private keys holding the Company's or Purchasers' Tokens or Tokens are lost, destroyed or otherwise compromised, the Company may be unable to access the related Tokens and such private keys are not capable of being recovered by the Platform or the Company. Any loss of private keys relating to digital wallets used to store the Company's Tokens could adversely affect an investment in the Company. Further, Tokens are typically transferred digitally, through electronic media not controlled or regulated by any entity. To the extent a Token is transferred erroneously to the wrong destination, the Purchaser may be unable to recover the Tokens or its value. Such loss could adversely affect an investment in the Company and result in a complete loss of the Purchaser's Tokens.

Token and Token Transactions are Generally Irrevocable.

Even if a transaction turns out to have been in error, or as a result of theft of Tokens, such a transaction is not reversible. Consequently, the Company may be unable to replace missing Tokens or seek reimbursement for any erroneous transfer or theft of Tokens. To the extent that the Company is unable to seek redress for such action, error or theft, such loss could adversely affect an investment in the Company. Additionally, Purchasers may lose all of their Tokens if a transaction was made in error or if the Tokens were stolen.

Bad Actors or Hackers.

Bad Actors or Hackers may launch attacks to steal, compromise, or secure Tokens, such as by attacking Platform source code, exchange servers, third-party platforms, cold and hot storage locations or software, or Token or Token transaction history, or by other means. For example, in February 2014, Mt. Gox suspended withdrawals because it discovered hackers were able to obtain control over the exchange's Bitcoin by changing the unique identification number of a Bitcoin transaction before it was confirmed by the Bitcoin network. Furthermore, Flexcoin, a so-called Bitcoin bank, was hacked in March 2014 when attackers exploited a flaw in the code governing transfers between users by flooding the system with requests before the account balances could update—resulting in the theft of 896 Bitcoin. Most recently in January 2018, hackers reportedly stole approximately \$530 in cryptocurrencies from Coincheck, a Japanese cryptocurrency exchange. As the Platform increases in size, it may become a more appealing target of hackers, malware, cyber-attacks or other security threats. An attack or a breach of security could result in a loss of private data, unauthorized trades, an interruption of the Platform for an extended period of time, violation of applicable privacy and other laws, significant legal and financial exposure, damage to reputation, and a loss of confidence in security measures, any of which could have a material adverse effect on the Company and the value of Tokens. Any such attack or breach could adversely affect the ability of the Company to operate, which could indirectly adversely affect the value of the Tokens. Any breach of data security that exposes or compromises the security of any of the private digital keys used to authorize or validate transactions, or that enables any unauthorized person to generate any of the private digital keys, could result in unauthorized transactions and would have a material adverse effect on the Company and potentially the value of Tokens and Tokens. Further, because transactions on the Platform settle on the trade date

and generally are irrevocable it would likely be impossible to reverse unauthorized transactions. As a result, the Company will undertake efforts to secure and safeguard the Tokens in its custody from theft, loss, damage, destruction, malware, hackers or cyber-attacks, which may add significant expenses to the operation of the Company. There can be no assurance that such security measures will be effective. Additionally, there exists the possibility that while acquiring or disposing of Tokens, the Company unknowingly engages in transactions with bad actors who are under the scrutiny of government investigative agencies. As such, the Company's systems or a portion thereof may be taken off-line pursuant to legal process such as the service of a search and/or seizure warrant on the Company. Such action could result in the loss of Tokens previously under the Company's control.

Digital Assets, including Tokens and the Tokens are subject to manipulation.

Bad actors can use a number of manipulative trading strategies such as spoofing, wash trading and trading in coordination with other bad actors to artificially influence the price of Digital Assets. Bad actors can also attack one or more Digital Asset exchanges. If an exchange is taken offline, it would likely result in reduced liquidity making it easier to manipulate price of one or more Digital Assets. It is possible that one or more actors may manipulate the price of Token and/or the Tokens, which may adversely impact the value of the Purchaser's Tokens and their investment in the Company. For example, it is possible that an actor may try to keep the price of Token above the peg in order to ensure that the Platform will continue to issue distributions of Token to Token holders.

Accounting and Taxation Risk.

The tax characterization of Tokens, as well as the consequences of using Tokens is uncertain. If the Tokens are characterized as "virtual currency" for income purposes, then, under a notice issued by the IRS in 2014, the general rules applicable to property transactions would apply. See Notice 2014-21, 2014-16 I.R.B. It is possible that the United States or other jurisdictions will levy substantial or prohibitive taxes on Tokens, thus greatly devaluing them. All potential investors should consult with their own tax advisors on the consequences of investing in a Token and using Tokens, including under U.S. federal, state, local and foreign tax laws. The Tokens are being offered pursuant to an exemption under the Securities Act of 1933, as amended (the "Securities Act"). The tokens will be offered and sold outside the United States. To the extent that the tokens are deemed to be securities under U.S. securities law, we are relying on an exemption for the issuance provided by Regulation S under the Securities Act. The purchase of the tokens may only be made by persons who represent and warrant that they are Non- U.S. Persons. If we have incorrectly interpreted any provision of Regulation S or the applicable related securities laws, or if retroactive regulations are implemented that result in our violation of the exemption, we may be required to offer rescission rights for the tokens issued in this offering and our financial condition may be in jeopardy. We may also face regulatory action and be required to defend such action. If any purchasers were to obtain rescission, the Company would face significant financial demands, which could adversely affect the Company as a whole, as well as the investments of any non-rescinding purchasers.

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