

EQ TOKEN

Blockchain Based Equity Crowdfunding



Abstract

Blockchain is still very new to mainstream society. The majority of people think that this is just a type of online currency. We are going to utilise blockchain to help overcome issues with crowd funding. More specifically equity crowd funding.

There are many different crowdfunding platforms out there today. One of the first and most well known is Kickstarter. On Kickstarter, people invest in idea that they like, and at each bracket of investment you are offered a reward, usually getting better the more you invest. The reward will be worth less than the amount of investment.

If you truly believe in the idea you're investing in, why not become a part of it?

With EQ Token, any investment you make in a company will give you equity in that company and allow distribution of dividends as well as the ability to sell your equity at any time.

If you had of invested \$10 in Uber in 2009 when they were worth \$3.7m, your \$10 investment would now be worth over \$250,000 as they are now worth over \$100b. Imagine if you'd have invested that \$10 on Kickstarter and got some type of Uber novelty key chain as a reward?



Introduction

EQ Token will be a new method of equity crowdfunding that will allow even the smallest investor to get equity in return for their investment.

All investment applications on EQ Token website will need to offer up a portion of their business for a specified amount of money. If successfully funded, tokens will be created for this business. These tokens will be evenly distributed among investors based on investment size. Holding these tokens in your digital cryptocurrency wallet will allow us to send you shares of company profits. You will also have the chance to sell your tokens at any time on our own token exchange.

The 2 main aims of EQ Token are to:

1. Give start-ups and existing businesses the opportunity to quickly raise money in exchange for equity.
- 2.
3. Give investors of any size the ability to be equity stakeholders in a company.

Currently blockchain is seen mainly as a platform for cryptocurrencies. EQ Token plans to use the Ethereum blockchain for what it was intended:

As a public, blockchain-based distributed computing platform and operating system featuring smart contract functionality.

This basically means we will be using Ethereum as a world computer. It will be used as an investment platform and as a way of tracking equity ownership in specific companies.



Why Blockchain?

So, why would raising money using blockchain be any better than the current methods?

Fees – Current methods of crowdfunding have quite high fees. This is due to the fact that the crowdfunding companies are rarely able to handle the financial transactions themselves and often have to pay third parties for this service. Using cryptocurrencies, we will be able to easily handle all transactions ourselves, passing on financial savings to our customers.

Equity – The majority of crowdfunding companies cannot offer equity in return for investment as it is just too hard to track exactly who owns what and to easily sell shares. Using Ethereum smart contracts we can easily divide up a 20% portion in a company into billions of small shares that can be traced back to individual Ethereum wallets to allow sharing of profits (dividends) or selling of tokens.

Ownership – From day 1 of the token creation for a new project, you have 100% ownership of your tokens. You can send them to whoever you want, trade them for whatever you want or else even store them in an offline location to keep them safe. This type of freedom and ownership only comes with blockchain



Current Options

Some of the current main crowdfunding options on the market right now are all listed below with their main strengths and weaknesses.

| Competitor | Strengths | Weaknesses |
|-------------|--|---|
| Kickstarter | Very well established (10 years old) Raised \$4.4bn | High fees 8% No equity |
| Crowdfunder | Medium fees (5.8%) Raised £60m | Only open to UK market No equity |
| Crowdcube | Equity Crowdfunding Raised £690m | High fees (8%) Cannot easily sell equity |
| Seedrs | Equity Crowdfunding Raised £640m | High fees (7.5%) |

One of our biggest selling points is the fact that we can offer equity to investors. There are a couple of alternatives currently on the market that can also offer equity. These are listed below:

Crowdcube is one of the few equity crowdfunding websites out there today but they take 1.5% of any investment you make as well as 8% of the total amount invested. Crowdcube does not share dividends or allow you to easily sell your equity whenever you want. Equity is only paid when the company is sold or goes public.

Seedrs is another equity crowdfunding website which charges fees of 7.5%. Seedrs does allow the paying of dividends but will charge 7.5% on these payments. Seedrs allows selling of shares to other investors but you will need to pair up with somebody on the Seedrs website to transfer your equity.

Fees

We will charge a registration fee for every project of \$200-\$300. This is to review each project, evaluate businesses and give the project a risk rating.

- We will charge a 4% fee on every fully funded project.
- We will own 3% of the tokens from every project.
- We will charge a 2% fee on all dividends.
- We will charge a 0.25% fee on any trading of tokens on our website.

The above means that if a project has raised \$200,000, the business raising money will receive \$192,000 and the investors will receive a share of 97,000,000 tokens. This method of taking fees will share the burden, on more well-known crowdfunding websites, the funding received by the business would be under \$185,000.



Projections

My projections for the first 12 months after launch is that we will raise a total of \$4m for businesses, meaning that our revenue from this year would be \$160,000.

| Revenue (\$) | Year 1 | Year 2 | Year 3 |
|-----------------|-----------|-----------|-----------|
| Funded Projects | \$160,000 | \$400,000 | \$900,000 |
| Dividends | \$0 | \$5,000 | \$10,000 |
| Token Sales Fee | \$2,500 | \$7,500 | \$20,000 |
| Total | \$162,500 | \$412,500 | \$930,000 |

Based on current trends in crowdfunding businesses and our rapid expansion plans for the end of 2021/early 2022, I expect a 100-200% increase in revenue in the 2nd 12 months. This business will grow exponentially as its success is based on how many people know about it. Kickstarter's revenue increased by 3-400% each year for the first 4 years after start-up and Crowdcube's revenue increased by 640% between 2014 and 2018. We will be investing heavily in expansion over the first few years so hope to see a similar rate of growth.

We do not expect to see any revenue from dividends for the first 3-5 years on any new businesses but there is the possibility of some dividends from existing businesses in the 2nd 12 months. Revenue from this is unlikely to exceed \$3,000-\$5000 in the first 2 years.

The fees from trading of tokens on our token exchange are also expected to start low in the first year but grow quite rapidly. This is based on the fact that each year we expect a big increase in funded projects as well as the fact that in year 3, people will still be trading tokens from projects that were created in the first 2 years as well as the larger number of projects created in year 3.

EQ20 Token

The EQ20 token will be an ERC20 token. This token will be used to raise money to allow EQ Token to get started. A total of 70m tokens will be offered in the initial exchange offering for a price of \$0.05/token.

The 3% of all tokens created through fully funded projects belong to us so these tokens will be evenly airdropped to all EQ20 token holders. A standard project will be created with 100m tokens. We will own 3m of these tokens and so these will be airdropped to all EQ20 holders. This means that for every 10,000 EQ20 tokens (\$500) you buy, you will receive 300 tokens from every fully funded project that we ever create so **investors in EQ20 will own a stake in every company the EQ Token business ever helps fund. Ever!**

These tokens can then be sold on our decentralised exchange at any time or they can be kept in your wallet so that any funded company that starts to become successful, will start to pay dividends directly into your wallet!

We also plan to airdrop 25% of the 2% dividend fee to EQ20 token holders as well!



Funded Projects

Every project listed on our website will need to pay a \$200-\$300 administration fee to list the project. This fee is to cover an initial review of the project to allow us to give it a basic risk/reward score. Each project will offer up an initial % of their business in return for a specific sum of money.

Any investments in projects will be held by us until the project is fully funded. If the project does not reach it's target in the agreed upon timeframe, all investments will be returned. If a project reaches its funding goal, we will keep the funds until all legal checks/agreements have been completed. The funds will then be traded in exchange for the agreed upon % of the company. The token will then be created and distributed to all investors.

When the company gets to a stage where they are able to take profits, they will send the % of profit owed to their token holders to us and we will be able to distribute this amount evenly among all token holders. If the company is ever sold, the portion of the sale owed to token holders will be sent to us and we will distribute this evenly among all token holders.

We may also bring out a voting feature to allow token holders to vote on any major company decisions. For example if token holders own 20% of a company and there is a major shareholder vote, we can have all token holders vote. If 35% of token holders vote yes, 50% of token holders vote no and the rest didn't vote, then this can be relayed back to the company as 7% of our 20% share voted yes, 10% voted no and 3% abstained from the vote. This will then be taken into account with the votes of the other 80% equity owners in the business. This feature should be introduced in year 3.

Token-sale

The EQ20 token will be used to raise funds to help get EQ Token started. There will be 70m tokens sold in total in the EQ Token initial exchange offering for a price of \$0.05 per token to help raise \$3.5m.

The token sale will last for 30 days and our minimum target is to sell 35m tokens. If we do not reach our minimum token sale target within the timeframe, all funds will be returned to investors.

1m EQ20 tokens will be used for promotional purposes to help increase awareness of EQ Token and what we plan to accomplish (mostly through social media competitions).

There will be 4m EQ20 tokens that will be used to reward participants in our bounty program. These tokens will be paid 1-2 months after the successful completion of the IEO.

The remaining 25m tokens will be kept by the core development team and may be used to pay external contractors.



First 12 Months

The first 12 months after we receive our initial funding will involve the hiring of our core team and the opening of the EQ Token offices. This will include a website designer, a software engineer with cryptocurrency experience and a marketing manager.

One of the major challenges during the first year will be ensuring that we create and release a great service that operates within the confines of UK and EU law with regards to cryptocurrency regulation. The EQ20 token itself is not a security token but the tokens that we will be creating for other businesses with our service will be. We will need to ensure that we are compliant with UK and EU regulations around the sale of security tokens .

The main focus during the first year will be to have the proper legal framework in place to ensure that when we do fund a business, our investors are protected. This includes a robust process for ensuring that all listed ideas are evaluated and rated appropriately.



Conclusion

In conclusion, I believe that blockchain is going to be the future of investing. EQ Token is in the unique position to be one of the very first equity crowdfunding platforms based on blockchain.

The benefits of using blockchain over current crowdfunding methods are:

- Lower fees
- We are our own payments service
- 100% control of your equity tokens
- Equity in return for any sized investment

Crowdfunding and blockchain are both relatively new concepts, both with exponentially growing markets. The combination of both could and will re-shape the world economy.

You don't want to be sitting 5 years down the line looking at the EQ20 price of >\$10/token knowing you could have bought in at the ground floor for \$0.05/ token.