



The TaoDust platform White Paper

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01

Introduction

Introduction

We find ourselves at the dawn of the second decade of financial revolution sparked by Bitcoin in 2008, and kindled by ongoing adoption of blockchains, cryptocurrencies, and other **distributed ledger technologies (DLTs)**. Evangelists of Bitcoin, and its core innovation blockchain, sold it as the answer to capital being controlled by only a few corrupt institutions. During the 2008 global financial crisis, this captured the hearts and minds of many eager to transform money, banking, and finance using a mint of digital cash. While large-scale consumer adoption remains low due to the technology’s lack of maturity, scalability, and price volatility, these same issues can be savvy investment opportunities. With a market cap near USD 1 trillion in 2017, to say blockchain has had a financial impact is the understatement of the 21st Century.

In 10 years blockchain has tokenized financial assets, infrastructure, and even law. Consequently, it is now *possible to provide access to financial instruments and investment opportunities* to a growing share of global citizens. With a lowered bar of entry, and promises of returns so high you could be war profiteering, a gold rush took place in the form of **Initial Coin Offerings (ICOs)**. Like all gold rushes, scammers also used this opportunity to execute large-scale fraud, tarnishing ICOs. This loss of trust, in combination with a bear market and ongoing regulatory uncertainty, has caused the ICO to *lose favor as the vehicle of choice for fundraising* (Fig. 1).

Having recognized this trend, the authors of this paper view the **Tokenized Asset Offering (TAO)** mechanism, a subset of **Security Token Offerings (STOs)**, as a prospective replacement for ICOs. In order to pursue this nascent market opportunity we are building both an Equity Crowdfunding Platform, **TAODust**, and the accompanying **TAOFund**.

After describing in detail the principles, philosophy, and history of digitally tokenized assets, we explain how our hybrid model is uniquely suited to capitalize on the TAO trend and what separates it from traditional Venture Capital, crowdfunding, Brokerage Houses, ICOs, and Decentralized Exchanges.

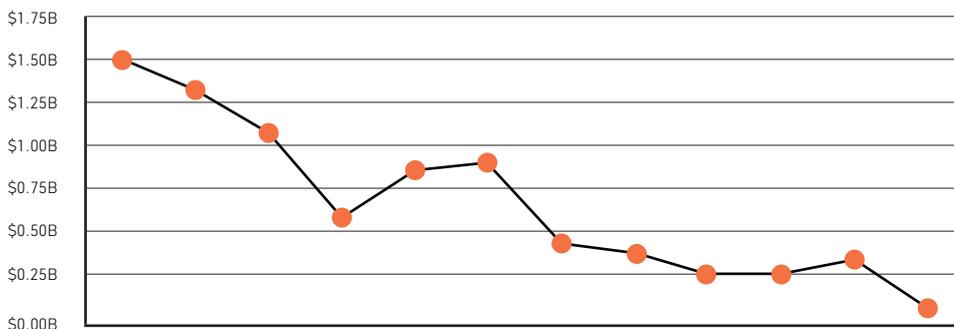


Fig. 1 - Funds raised (USD) via ICO's in 2018, by month



02 Token and tokenization

Token and tokenization

02.1 WHAT IS A TOKEN?

According to the Oxford English Dictionary:

Token (*noun*)

1. A thing serving as a visible or tangible representation of a fact, quality, feeling.
 - a. memento, souvenir, keepsake, reminder, record, trophy, relic, remembrance, memorial;
 - b. a characteristic or distinctive sign or mark, especially a badge or favor worn to indicate allegiance to a particular person or party;
 - c. a word or object conferring authority on or serving to authenticate the speaker or holder
 - d. a staff or other object given to a locomotive engineer on a single-track railroad as authority to proceed over a given section of line.
2. A voucher that can be exchanged for goods or services, typically one given as a gift or offered as part of a promotional offer.
 - a. a metal or plastic disk used to operate a machine or in exchange for particular goods or services.

Token (*adjective*)

1. Done for the sake of appearances or as a symbolic gesture.

02.2 WHAT IS TOKENIZATION?

Tokenization is not a new or rare phenomenon. Most of us use it every day. It is a method to mask sensitive or complex data by converting it into a representative format which is called a **Token**.

On the front of credit cards, the buyers account information is replaced with randomly generated numbers (token). Apple Pay and Android Pay, store a tokenized version of your credit card, and share it with third parties without your bank details being disclosed. In *blockchain* the term tokenization refers to a *creation of digital representation of an asset or utility* - this can be a *cryptocurrency, loyalty points or service log which is written to a ledger in the form of a token*.

02.3 TOKEN HISTORY

The history of tokenization demonstrates that the advent of representative-value made possible the functionality for commodities, bank notes, and other legally bound contracts to be made redeemable at a later time. Two of the of the *most traded commodities in history are tokenized* - beer and tea - and are indistinguishable

from money to this day in many parts of the world.

Outside of financial applications, another simple example can be found at the bedrock of civil society: **consensus-based voting systems**. When ancient societies gave representation to their populous, often stones were issued to be calculated as votes. The voter would then cast the stone into the lot which best represented their opinion or values. The conversion of something metaphoric, like an idea or political belief, into the physical form which represented a vote provided an essential utility of democratic processes we find in nationstates and organizations today.



Fig. 2 - A brief imeline of tokenization

02.4 TOKENIZATION IN USE TODAY

To this day, modern voting is still dependent on the portability of information provided by casting stones. Those stones are now marks on ballots, removing the need for all voters to show up at one polling center at one time, and have votes tallied by many people. They are instead tallied at many locations at once (or even by mail, or electronically) by trusted parties under legal guidelines - reducing expense, labor, and error.

Tokenized Assets and smart-contracts will allow for traditional equity offerings to experience similar streamlining. The majority of time, and expense in a traditional equity offering is spent on 3rd parties tallying the stones - providing legal oversight, accounting, auditing and other clerical work. This can now be handled through the programmable nature of software. Replacing arbitrary 3rd parties between the organization offering equity and the tokenized asset owners with configurable rules in the software that generates the token.

If cryptocurrencies like Bitcoin are considered **"programmable money"** then you can consider Security Tokens like ETOs a version of **"programmable ownership"**. These types of assets can be traded on the same global network of exchanges that already host Bitcoin and other cryptocurrency as well as traditional stock exchanges and futures markets.

02.5 THE FUTURE OF TOKENIZATION

With tokenized digital assets managed on peer-to-peer payment systems, distributed ledger technologies such as blockchain, and other programmable banking mechanisms, the TAODust platform has all of the tools to legitimize a new class of Tokenized Assets. Setting the stage for an emerging generation of global investors to take advantage of distributed investment on a platform designed for 21st Century economies, during *the most significant generational wealth transfer in recorded history*.

We find ourselves in a brave new world where tokenized asset owners can interact globally to initiate trades, business ventures, and other "deals" with anyone with access to an internet connection. This expected increase in the supply of financial vehicles, being met with a demand for those products or assets, is sometimes referred to as a secondary market.

In the coming years, tokenization of traditional assets will have an impact on liquidity across multiple asset classes. The implications of this statement apply to investors, both conventional and crypto.

Imagine there was a tool that gave any legitimate organization with funding needs an ability to offer digital ownership of its equitable assets and tokenize their value as tradable securities for eager secondary markets.

What would global investors do with the money they could save on unnecessary expenses that come with traditional venture capital equity raises and lengthy IPO processes?

Imagine there was a tool which allowed anyone to buy, sell, and trade regulated securities powered with the same technology of cryptocurrencies and other 'programmable money' like Bitcoin while complying fully with global financial regulations.

What would Investing look like if the invisible bureaucratic red-tape which hinders millions of underbanked from taking control of their financial futures, was cut?

TAODust does not attempt to sidestep regulation to cut this tape. Instead, it makes possible the creation of tokenized securities which can be traded over-the-counter, through traditional financial markets, and as a part of the emerging crypto asset classes traded on exchanges. At the same time, it acts as a platform which changes the roles of lawyers to an advisory position within the realm of the creation of smart-contract based equity offerings.



03

**Types of tokens
and ICOs**

Types of tokens and ICOs

General consensus among regulators is that there is an inherent distinction of coins from tokens. The term **token** refers to any cryptocurrency that is built on top of an existing blockchain and coin generally refers to any cryptocurrency that has its own separate, standalone blockchain. Compliance for traditional securities undergo strict examination and subsequent categorization; the Swiss regulatory entity, **FINMA** has provided guidance on how they view these emerging types of crypto assets. However, these definitions are ever-evolving and regulation is considered case-by-case.

Type	Definition	Real-world analogue	SEC Regulation
CURRENCY TOKEN	Tokens which represent outstanding debts and liabilities. They take their value from the debt, its interest and the creditworthiness of the debtor party.	Gold, silver and dollars	✗
SECURITY TOKEN	Tokens which represent a traditional security asset. These tokens represent third party value but not ownership	Some mutual funds and ETFs	✓
EQUITY TOKEN	Tokens which represent a traditional stock asset. These tokens represent third party value and ownership.	Stocks, futures and options	✓
UTILITY TOKEN	Tokens which represent coupons , tickets, or vouchers for services. These represent direct value and ownership.	Arcade and laundry tokens	✗
DEBT TOKEN	Tokens which represent outstanding debts and liabilities. These tokens represent value from debt, and its interest.	Bonds, loans and mortgages	✓

Fig. 3 - Types of tokens and their regulation

3.1 PAYMENT TOKENS OR COINS AND THEIR ICOs

From this viewpoint, a cryptocurrency is a *standard currency which is used for the sole purpose of **making or receiving payments** on the blockchain*. These cryptocurrencies can be used to buy goods, services, and almost anything else you can buy with fiat money or gold.

Token offerings where the token is intended to function as a means of payment that can already be transferred, require compliance with anti-money laundering regulations by governing bodies such as FINMA . FINMA does not treat such tokenized payment coins as securities. Tax agencies such as the IRS, also impose regulations on payment tokens and payment token ICOs.

Bitcoin (BTC) can be thought of as the original cryptocurrency which achieved its legacy due to its acceptance as payment to online retailers. The NYSE still has a growing Futures market due to public interest and a growing investor base of Bitcoin in 2017.

Ripple (XRP) is currently classified as a payment token and is presently contesting the categorization as a security, as former token investors have claimed that purchasing the token grants them ownership rights to the issuers equity

3.2 SECURITY TOKENS AND THEIR STOs

From this viewpoint, a cryptocurrency is a *traditional financial tool which is used for **investments** on the blockchain*. These cryptocurrencies can be used to represent securities, capital markets, or almost any traditional investment vehicle.

Token offerings where the token is intended to function as a complex investment vehicle require compliance with anti-money laundering regulations by governing bodies such as FINMA, and Securities regulations from the SEC. Securities regulation is intended to ensure that market participants can base their decisions about investments on a reliable minimum.

Decentralized Autonomous Organization (DAO) is a form of an investor-directed capital fund with no conventional management structure or board of directors. In a landmark decision by the SEC in 2017, DAO tokens were ruled as securities¹ which, when operating in the United States, must register as such.

Overstock - During the introduction of tokenized digital assets, the SEC allowed for Overstock's¹ offering on the NYSE to be issued using Bitcoin's blockchain as far back as 2015. tZERO is also an ERC20 security token issued through a subsidiary of Overstock and it pays 10% of adjusted gross revenues to token holders on a quarterly basis.

3.3 EQUITY TOKENS AND THEIR ETOs

From this viewpoint, a cryptocurrency is an **equitable asset** which is managed on the blockchain. These cryptocurrencies are a subcategory of security tokens and represent ownership of an asset as company stock or debt.

Token offerings where the token is intended to function as transferable ownership of an asset such as equity, are also regulated as securities by the SEC. They may also be liable for nation to nation corporate regulations, and tax oversights.

NEUFund is an equity fundraising platform with 3000 investors from more than 90 countries, which launched a €6,608,091 equity token offering (ETO) in December of 2018, and are presently compliant with German securities law.

BFToken is a cryptocurrency developed by BnkToTheFuture, offering online investment to qualifying investors in financial tech companies. In early 2018 their ICO raised \$33,000,000, which was intentionally partially regulated with an aim for compliance.

3.4 UTILITY TOKENS AND THEIR ICOs

From this viewpoint, a cryptocurrency is a *coupon, voucher, or service log which is **used for utilities** on the blockchain*. These cryptocurrencies can be used for distributed computing, services like ridesharing, electricity, or advertising.

Token offerings where the token is intended to function as a means of providing

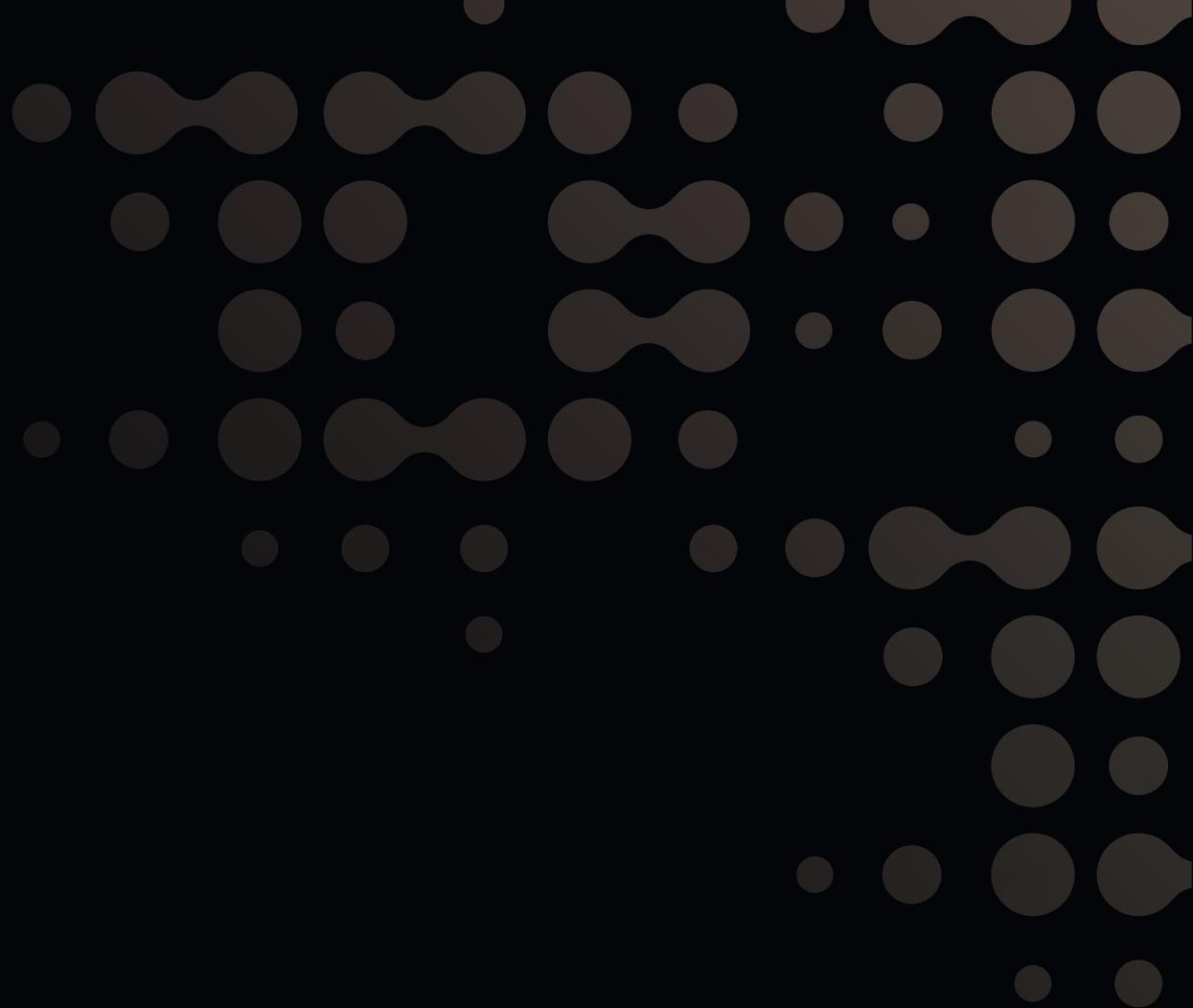
a service or utility are presently unregulated in most jurisdictions. However, this unregulated position is ever changing, and differs on the basis of factors such as national residence, citizenship, corporate.

Basic Attention Token (BAT) held a \$35m ICO which the SEC has ruled was not an issuance of securities due to the utility nature of the tokens, which are created, issued, bought and sold, not as investment but to access a particular function of digital ecosystem.

Holo (HOT), Holo fuel (Holo) held a \$20+m Initial Community Offering(ICO) for HoloToken(HOT)1, an Ethereum ERC20 placeholder token for their native asset-backed cryptocurrency Holo fuel. HoloTokens represent a pre-sale of cloudhosting services provided on their platform, and the supply for the ICO was directly linked to the amount of distributed computing that the Holo network is conservatively able to provide.



International blockchain regulations



International blockchain regulations

Since Bitcoin's white paper was published in 2008, the virtually non-existing industry has transformed into a booming ecosystem comprised of over 16,000 distinct tokenized crypto assets in less than a decade. The blockchain industry has naturally evolved into a speculative haven for investors through ICOs and the quasi-secondary markets of cryptocurrency exchanges. Typically, the token markets are nascent and are made up of a number of communities and organizations who have different goals and motives.

The risks of considering such ventures and tokens differ drastically for each investor, issuer, and national regulatory body.

Some of the risks specific to tokenized investments include:

- *Certain investors (such as non-accredited investors), may have **insufficiently sophisticated knowledge or resources to assess the risk involved**;*
- *A general **lack of standardization** between DLT offerings and their native tokenized commodities like those found on Ethereum, EOS, Waves, and so on;*
- *Consumer protection laws, tax liabilities, and regulatory status **lack clear guidelines**;*
- ***Risk of market abuse** by issuers and investors / speculators;*
- ***Weaknesses in KYC/AML** registration, compliance, and auditing*

Meeting the Anti-Money Laundering concerns and Know Your Customer compliance standards is becoming a determining factor in the investability of any tokenized asset. Consider laundromats, arcades, and casinos, where customers traditionally convert fiat money into physical tokens as payment for services. Three very similar token models, but very different levels of governance requirements. A small business owner may only have to worry about their tax liabilities, a casino has many higher level regulatory benchmarks to achieve through legal services, accounting, gaming compliance, and money handling services for large amounts of currencies or other assets.

04.1 INTERNATIONAL REGULATION AND ADOPTION

Global investment in cryptocurrencies and their underlying technologies has accelerated in recent years and the maturity of this growth can be seen in the adoption at the nation-state level. Switzerland, especially, has helped pave the road towards better global standards and holds a fairly liberal¹ approach without compromising financial standards through the **Swiss Financial Market Supervisory Authority (FINMA)**.

AUSTRALIA

*Australia has planned a conversion of The Australian Securities Exchange to blockchain technology. **ASX** first made its*

decision to replace the **Clearing House Electronic Subregister System (CHES)** on Australia's main stock exchange after two years of prototyping. This update to the financial system supports "**Financial Asset Tokens**" which can be hosted on top of an existing blockchain or public DLT.

JAPAN

Japan in April 2017, recognized Bitcoin and other digital currencies as legal payments under the Payment Services Act in acknowledgement of the legitimacy of the underlying markets.

SINGAPORE

Singapore where permissive regulations do not categorize cryptocurrency as legal tender, Singapore's tax authority treats Bitcoins as 'goods,' and so applies Goods and Services Tax (Singapore's version of Value Added Tax).

UNITED STATES

United States does not consider cryptocurrency legal tender but since 2013 has considered exchanges as money transmitters (subject to their jurisdiction) on the basis that tokens are "other value that substitutes for currency". The IRS regards cryptocurrencies as property - and has issued tax guidance accordingly. With the launch of OhioCrypto.com, Ohio will become the first state in the nation to accept tax payments using cryptocurrency.

Tokenized Asset Offerings are set to bridge the gap between global regulators and the global demand arising from decentralized crowdfunded equity.

As long as societies have engaged in trade, merchants and their suppliers have struggled with the logistics of distributing ownership of property, assets, and commodities over vast distances in order to connect supplier, merchant, and consumer. The introduction of distributed-wealth through the accounting of representative-values has helped to give birth to modern banking and our credit-based financial system and in the past helped to finance progressive eras for science, art, philosophy - bootstrapping the Golden Eras of China, and and the Medieval Renaissance in Europe.

Today a new type of Renaissance is occurring as our world grows more interconnected making global markets, their goods, and the billions of people who makeup these distributed economies more accessible to each other than any other time in history. Technology has provided the world a means for peer-to-peer banking without borders - allowing millions of underbanked individuals access to capital for the first time, while simultaneously making the tokenization of assets and native commodities as easy as online banking.

**WE BELIEVE HISTORY REPEATS ITSELF, AND THAT THE
TOKENIZATION OF ASSETS PLACES HUMANITY AT THE
CROSSROADS OF A NEW WORLD OF EMERGING DIGITAL
TRADE ROUTES.**



**Introducing the
TaoDust Platform**

Introducing the TaoDust platform

Using the power of blockchain, TAODust is redefining crowdfunding by replacing donations, or pre-sales with a simple platform to offer tokenized equity in the company itself. In the future, The TAODust platform will allow inventors that have passed our rigorous, but publicly published set of assessments to generate equity tokens in their companies, and give investors immediate access to markets to buy, sell, and trade those assets. Taking the headache out of acquiring early-stage funding, while putting the trust back in tokenized assets.

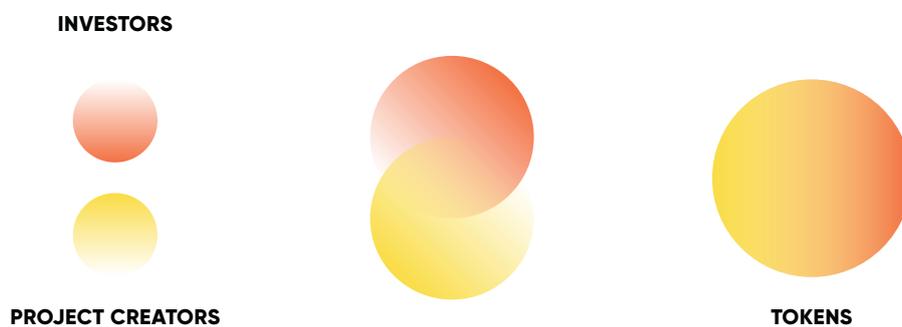


Fig. 4 - A visualization of the TaoDust Platform

To do this, TAODust utilizes Ethereum smart contracts to mimic the process of due diligence an investor generally goes through to assess a project, and also mimics the way equity traditionally functions, including handling dividends, clearing assets, and distributing shares. With these digitally certified shares Investors can immediately go to secondary markets and trade those shares, and project creators or inventors can immediately get down to business making their dreams a reality.

05.1 TAODUST PLATFORM MODEL

Our system is built on the Ethereum blockchain, and generates ERC20 tokens which represent the tokenized asset of shares of equity in a startup, or early stage company. We will work with legal consultants, government and regulatory authorities, economists, and technologists to develop tokenized equity agreements through Ethereum smart-contracts, or a type of certified digital handshake between two or more parties. We are replacing a Central Bank or stock exchange with software that issues equity tokens with self-governed operational bylaws that are templated and configurable per project, asset, or equity holder. The programmable aspects of an Ethereum token and the conversion of physical and/or digital asset ownership are designed to behave precisely like traditional securities, including but not limited to the capability of distributing shareholder equity, voting rights, and profits like dividends, through tokenized ownership benefits.

The platform is expected to use Python on the server side, Javascript for the client side, and Solidity for the handling of smart-contracts—Solidity being the official programming language of the Ethereum blockchain.

This configuration represents the best tested, most secure, fast, and affordable resources at the time of writing this paper. However, we are open to new technologies or partnerships and will seek to improve the platform’s infrastructure should a more reliable option were to become available.

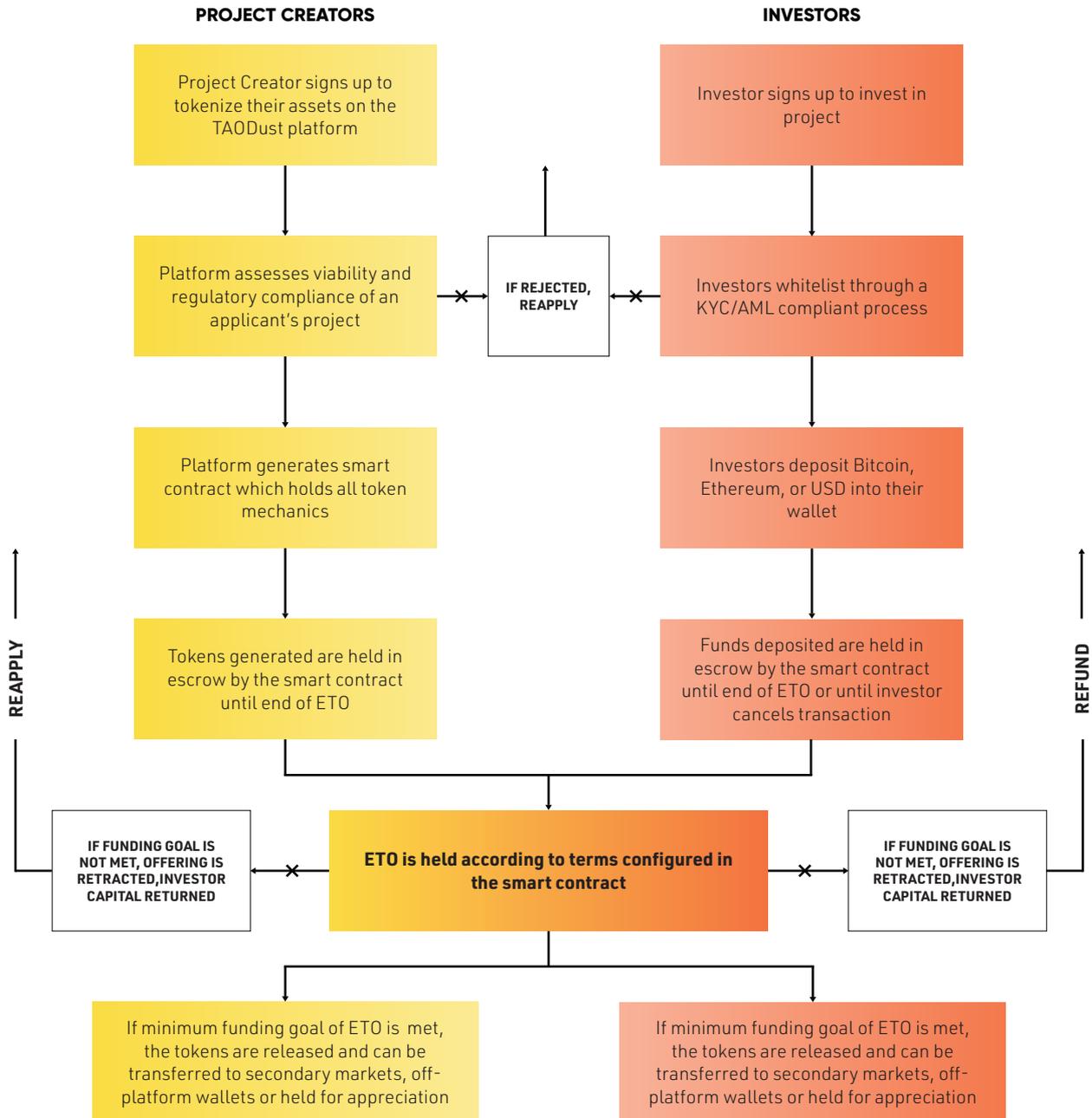


Fig. 5 - Project creator/Investor process flowchart

05.2 TAODUST EQUITY TOKEN OFFERINGS (ETOs)

Tokens on the TAODust platform are Ethereum ERC20 tokens. They are created through TAODust when a project initiates a smart-contract on the platform that generates tokens for an Equity Token Offering (ETO). TAODust tokens do not have a specific name, as the project creator names each project at the time of generation of the smart-contract with the TAODust platform. These tokens represent digital shares in the company that is offering equity.

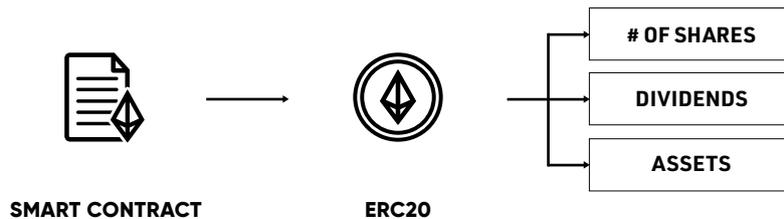


Fig. 6 - Tokens on the TaoDust platform

The TAODust ETO will be unique to anything else currently available to investors. By recognizing the distributed autonomous organizational (DAO) abilities of Ethereum, tokenized assets on TAODust will take advantage of the smart-contract governance which enables KYC/AML compliance.

This self-governance ability provided by TAODust allows the relationship between business owners, software or smart-contract developers, lawyers, and auditors to make use of a tool to keep each respective entities' regulative authority respected while entering global markets more efficiently and transparently.

Traditionally, if an issuer decides to comply with standards which limit investment activities to accredited investors, or individuals of a specified national residence, it is typically the responsibility of the issuer to verify the information submitted while maintaining a pool of potential investors before the offering. With TAODust, this can be automated using Ethereum smart-contracts which utilize on-and-off the blockchain identity and financial verification.

Once a project is approved on the TAODust platform it is the Project Creator's responsibility to excite their audience about their offering through social media, PR campaigns, events, and other avenues. Although TAODust will do its own publication and marketing about projects on the platform, crowdfunding is always most helpful to those who help themselves.

An Immutable ledger is capable of publicly demonstrating the validity of the funds being raised to ensure KYC/AML compliance. Also, this functionality can be expanded to provide even more transparency for auditing and oversight without compromising other sensitive data. Furthermore the development of a distributed application on top of the Ethereum blockchain allows for a layer of protection of assets through automated governance which is capable of providing such required compliance regulation.

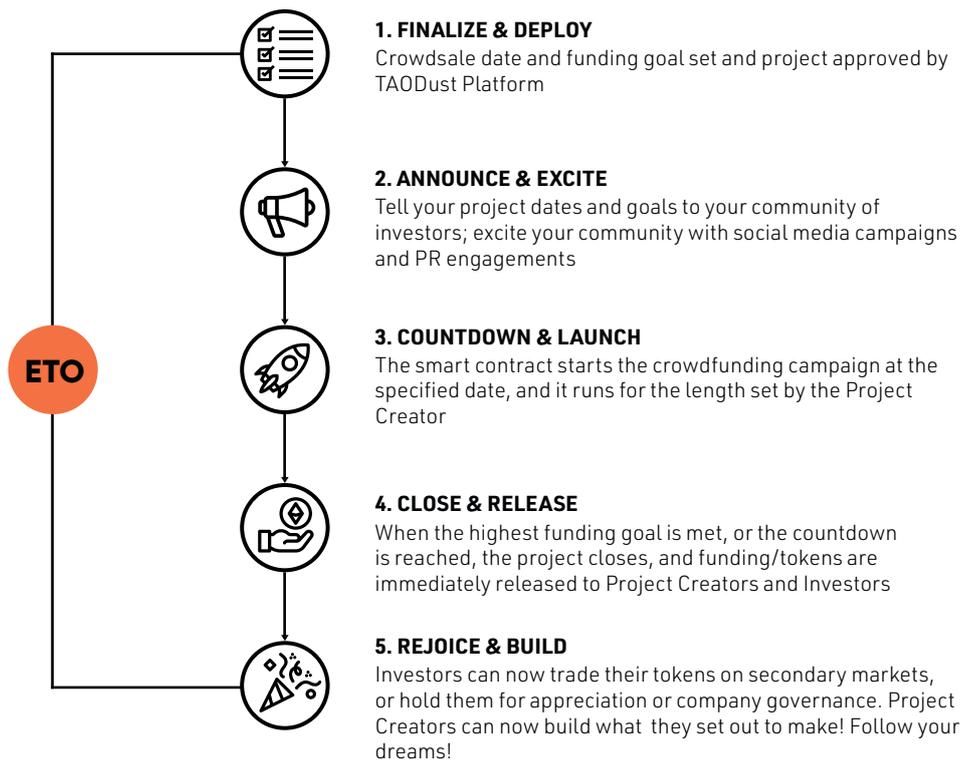


Fig. 7 - Steps of an ETO

EXAMPLE OF GOVERNANCE AUTOMATION IN AN ETO

1. Company holds private offering requiring all investors to comply with a set of financial regulations (such as accredited investment)
2. Investors sign a statement affirming their compliance with financial regulations
3. Company accepts investment from approved investors
4. Equity is released to investors

TAODust makes each one of the steps simple from an Investor or Project Creator’s standpoint. Although step 1 will always require some awork off-platform (like entity registration), steps 2 through 4 can be digitized and made entirely seamless using smart contracts.

05.3 TAODUST SMART CONTRACT MODEL

Using the power of Ethereum smart contracts, TAODust can mimic and implement features of a traditional equity issuance using decentralized digital deals or handshakes. The smartcontract initiates when a project creator or inventor is granted access to the TAODust platform and generates equity tokens on the platform. These smart contracts enable TAODust to uphold regulatory compliance such as KYC for issuance, but they also handle dividends, shareholder entitlements, rights offerings, audits, capitalization tables, carve-outs, corporate governance, and other automated tasks.

These smart contracts also reduce these five common costs incurred in issuing

securities; spread, direct expenses, indirect expenses, abnormal returns, underpricing, and green shoe allotments.

PUBLIC EQUITY ISSUANCE STEPS REPLACED BY OUR SMART CONTRACTS:

1. Pre-underwriting, and research conferences

a. Management gets approval from Board of Directors to use equity

2. Security Registration statements

a. Preparation and filing of registration statement with governing regulatory body

b. Regulators analyzes statement during the waiting period

c. Amended registration with Regulators is prepared and filed

3. Pricing the issue

a. If Regulative approval is reached, the issue is prepared to be priced.

4. Public Offering

a. Underwriters enter into a contract such as a Firm Commitment or Best Efforts agreement in order to sell the whole issue on behalf of the issuing company.

b. The Issuer and Underwriter agree on a Gross-Spread, the fee or percentage of the public offering proceeds which are incurred by the Underwriter

c. Red Herring Documents, or a prospectus is drafted to be marketed to institutional investors in order to gauge demand for the public sale.

5. Public Sale

a. The Underwriter, acting as a Broker, has the responsibility of creating a market for the shares either through individual or institutional investors

b. Transition to market competition

6. Market Stabilization

a. The Issue is placed on a secondary market and priced by free-market mechanics

b. The underwriter will issue analyst recommendations of the stock issue

c. After a traditional "quiet period", the underwriter transitions from the role of broker to that of an advisor

d. Investors transition from relying on the underwriter for mandated investment materials and disclosures, depending on free-market forces regarding information of their shares.

The unregulated and manipulated aspects of cryptocurrency are not part of the TAODust world and handled through an application layer designed to provide transparency to investors and regulators. TAODust does not intend to remove the layer of protection by which regulatory bodies interact with potential public equity offerings in centralized economies, but rather serve as a complementary platform to simplify the tokenization of assets which adhere to those standards.

Therefore, the application of a smart-contract layer, in parallel to a user interfaceable platform, will be used by potential issuers to interact with programmable variables which then determine the specific characteristics of the particular issuance. These smart contracts will reduce the complexity, costs, and paperwork associated with managing securities (collecting signatures, the wiring of funds, mailing of distribution checks, a collection of W-2s, Sending K-9s, and other onlinedocuments which need certification).

05.4 ONLINE BROKERAGE STOCK VS. CRYPTO

In random samples contrasting traditional vs. crypto-token investments, the fees were between 9-20 times higher in conventional trading:

	Just2Trade	Capital One	Cryptocurrency
Minimum Deposit	\$2,500.00	×	×
Trade Fee (Flat)	\$2.50	\$6.95	0.1%
Trade Fee (per share)	\$0.003	×	×
Broker Assisted Trades Fee	\$22.50	\$19.95	×
IRA Annual Fee	\$50.00	×	×
IRA Closure Fee	\$75.00	\$75.00	\$75.00
Domestic Wire Fee (US)	\$30.00	\$30.00	Same as withdrawl
International Wire Fee	\$60.00	\$30.00	Same as withdrawl
Withdrawl Fee	×	×	0.0005 BTC = \$1.71

*Fig. 8 - Traditional trading fees vs. cryptocurrency trading fees
(SOURCES: stockbrokers.com, binance.com)*

Security Tokens are innovations in Equity Crowdfunding which combine the grass-roots approach of crowdfunding platforms with the manifold advantages of tokenization, offered exclusively on the TAODust Platform. Equity Crowdfunding can generally be understood as an alternative source of financing for private companies like Kickstarter or IndieGoGo, but instead of donating or making pre-order product purchases, the backers are investing in the company itself.

Blockchain technology facilitates trade in the secondary market, and the tokenization with TAODust allows Asset Owners to sell, lease, or lend their property globally. This functionality opens safe alternative investment opportunities to the significantly underbanked populations of the world while providing the same level of quality of crowdfunded investment, which our platform will serve as a model.

05.5 TAODUST PLATFORM AND THE ETO SECONDARY MARKET

We intend to redefine Crowdfunding from an alternative source of financing through donations, or pre-sales of products to a more mature model of equity distribution. Right now Non-binding purchase agreements, common on crowdfunding platforms, can sometimes allow for private companies with little-to-no knowledge of their business plans or operations to accept a donation or pre-placed order to be honored by the company at a later time without the proper means to do so. This can leave investors out to dry when it comes to actually receiving what they invested in.

The critical difference in our approach and that between traditional crowdfunding is that on TAODust, the backers are investing in the company itself through the tokenization as registered securities. Those tokenized assets are then available

to be traded through a growing secondary market of cryptocurrency, Over-The-Counter, and even traditional stock exchanges. Combining the emerging markets of the growing asset class of tokenized offerings with the demand for crowdfunding from projects through TAODust will provide a unique solution to the regulation of decentralized assets.

05.6 EQUITY CROWDFUNDING BY THE NUMBERS

The World Bank estimates that global crowdfunding will reach \$90 billion by 2020.

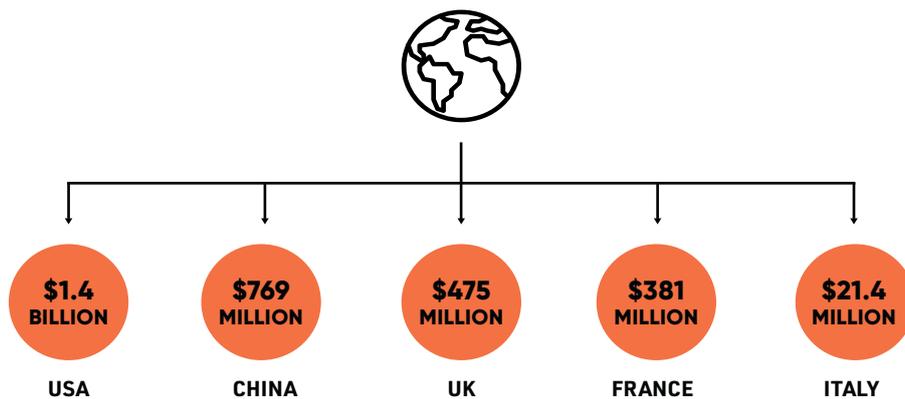


Fig. 9 - Global crowdfunding figures in 2017

Today there are fewer than 4,000 publicly traded companies in the US, less than half of the total in the 90s, and IPOs are in steady decline. Desire for diversification leads many investors to seek more practical opportunities and financial instruments. Equity crowdfunding has been growing steadily since regulators and the internet made access available with only a few clicks. **We can see how big our growth margins can potentially be when examining larger markets.**

05.7 CROWDFUNDING WITH FULL OWNERSHIP

A common misbelief is that investors have ownership of the shares they acquire when in reality they own entitlement to the shares (similar to an I.O.U) managed by their broker. Additional approval has to be granted by one of the securities clearinghouses such as the DTCC. With restrictions and regulations in place, security tokens allow complete ownership of the asset at hand. Typically, investors in venture capital (VC) funds, known as limited partners (LPs), are locked up for ten years, and for a good reason: VC funds invest in illiquid securities and cannot fulfill redemption requests in the interim. In so doing, the liquidity premium is a component of VC returns.

By layering the corporate governance as an Ethereum smart-contract on top of a distributed ledger, Tokenized securities issued through TAODust will have the

ability to gain additional liquidity from global markets once their initial offering is released. When TAODust has issued a Security Token Offering (STO) through its proprietary platform, those newly minted financial instruments are then available to be transferred, sold, and vested. Investors can access them immediately in their wallets, and trade them through centralized or decentralized exchanges.

This innovation in crowdfunded equity frees the original investors from the traditional 5 to 10-year holding periods which can be considered too long for average investors to be interested in early round equity sales. By providing a higher quality of the asset, while lowering the barriers for global investors seeking investment opportunities in private capital, Pre-IPO companies, and crowdfunded equity, TAODust seeks to attract issuers and investors of these emerging assets.

05.8 TAODUST PLATFORM SECONDARY MARKET

We chose Ethereum and its Token model for TAODust due to its proven ability to provide liquidity to organizations and crowdfunding projects through a decentralized network of cryptocurrency exchanges. We believe that the potential investor base will be significantly increased when centralized barriers are replaced or reduced. When you replace difficult to navigate processes with the ease of automation more people are empowered to try something new, as innovations such as Bitcoin have made evident. For the first time, people who have never taken an interest in financial markets are participating in a global economy, thanks to this type of disruption. TAOs are also designed to be decentralized from any specific issuer and thus able to be traded freely as securities in whichever markets that they comply.

TAODust is intended to be a catalyst for the disruption of traditional equity markets. By utilizing ERC-20 tokens and Ethereum smart-contracts in the initial stages of the TAODust Platform, Security Tokens issued on the platform can be thought of as portable. What’s more, mobile information in the form of tokenization of assets will help to fuel the growth and adaptation of security tokens. As with all ERC-20 Tokens, those issued on the TAODust platform are stored in hardware, software, or paper wallets and are compatible for spending, utility, or investment activities.

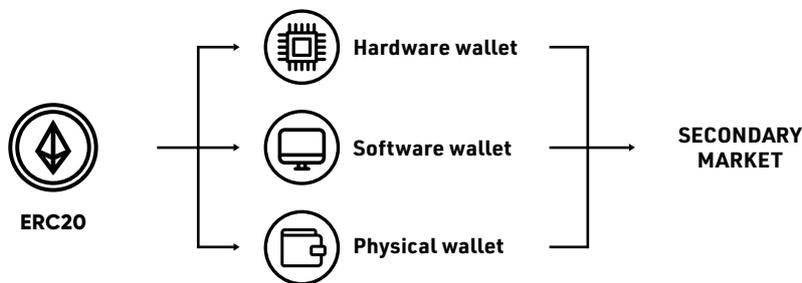


Fig. 10 - Secondary market access through portable assets

The Secondary market, which TAODust will supply to the existing decentralized cryptocurrency market, will then offer emerging asset classes which were

previously unavailable to the average investor.

05.9 DECENTRALIZATION

In 2015 the DTCC clearinghouse processed \$1.6 quadrillion worth of securities transactions, which is more than 21 times the world’s GDP. Being a single centralized place allows an efficient recording of all changes in a transfer. Security tokens are stored and transferred through distributed miners and nodes. In the case that a miner ceases to exist, the blockchain will continue to operate.

Making TAOs interoperable with other exchanges also relieves a liability which is inherent in a centralized point of possible failure: vulnerability to an attack which could have a significant influence on the entire securities market. This also provides liquidity to securities which typically would be considered illiquid.

05.10 LIQUIDITY

Many assets are hard to buy and sell because of their architecture. Liquidity, the driving force behind traditional asset tokenization, is not a binary but a continuum. Illiquid does not necessarily mean “unable to trade,” it can also mean “costly to trade.” Liquidity is related to trading volume and can be measured using price impact from trading, or by observing the bid-ask spread.

Collectibles, real estate, and company shares require niche markets or intermediaries and thus have lower price potential. Studies have shown that assets which are less liquid trade with an average discount of 20-25%. Security Tokens allow the tokenization of any asset, thereby removing the complication of selling (e.g., shares of a company, shares of a house) and making them more accessible through increased liquidity.

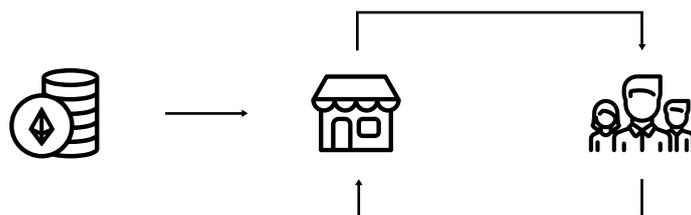


Fig. 11 - Liquidity through secondary markets

05.11 MULTIPLE OWNERSHIP

Tokenized assets, such as real estate, can be split into unlimited shares and allow for various owners, each holding on to just a fraction of the equity. In today’s world, this is a complicated process, possible primarily through real-estate investment trusts (REITs). Now, any asset with ownership can and will be tokenized such as public & private equities, debt like bonds, real estate funds and REITs, as well as other assets.



**The TaoDust
economic model**

The TaoDust economic model

When the funding process for the tokenized asset is complete, the obligations are the same as traditional companies. The arrangements typically made between the issuing organization and the underwriter, such as the industry standard gross-spread of 7% of the shares proceeds typically retained by the financial institutions, are now eliminated and replaced with the TAO Economic Model and Secondary Market. Equity Token Offerings (ETO) on the TAODust Platform will incur an overall 5% fee, which is composed as follows:

Project Creators incur a 2% fee upon completion of their ETO, deducted from the equity tokens sold during their campaign. Investors bear a 3% fee upon completion of the ETO they participated in, inferred from the total amount of equity tokens purchased. What this means is that once the platform is developed, we will use the total 5% platform fee to sustain the economy of the TAODust platform, such as quarterly dividends, through TAO Ltd.

In comparison to financial institutions and their 7% brokerage agreements and 8% total retained fee, TAO Ltd. will keep the proceeds of this 4.8% platform fee to fuel further growth and development of the other projects within the TAODust economy.

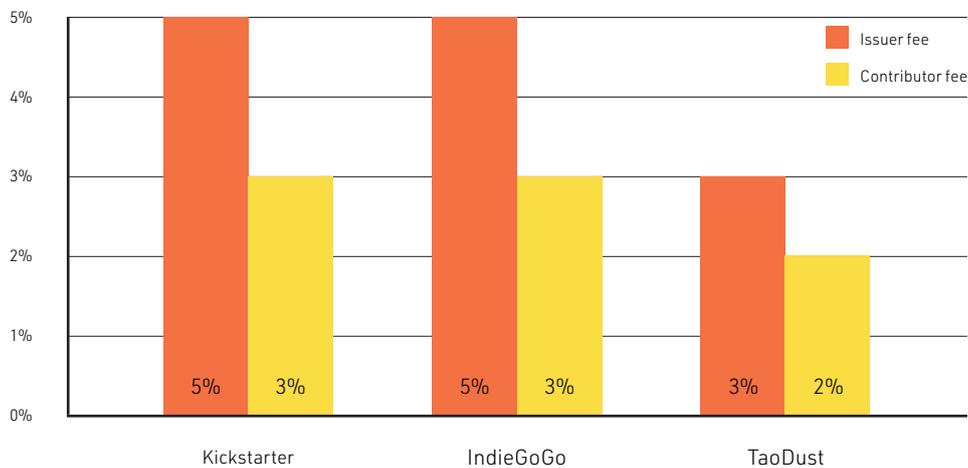


Fig. 12 - TaoDust total fees vs traditional crowdfunding

Unlike Kickstarter or Indiegogo, who not only charge an average of 2% more than TAODust to issue campaigns on their crowdfunding platforms, as well as charge a supplementary \$0.20 - \$0.30 per contribution, TAODust does not anticipate its users incurring that type of processing when contributing to crowdfunded equity on the platform.

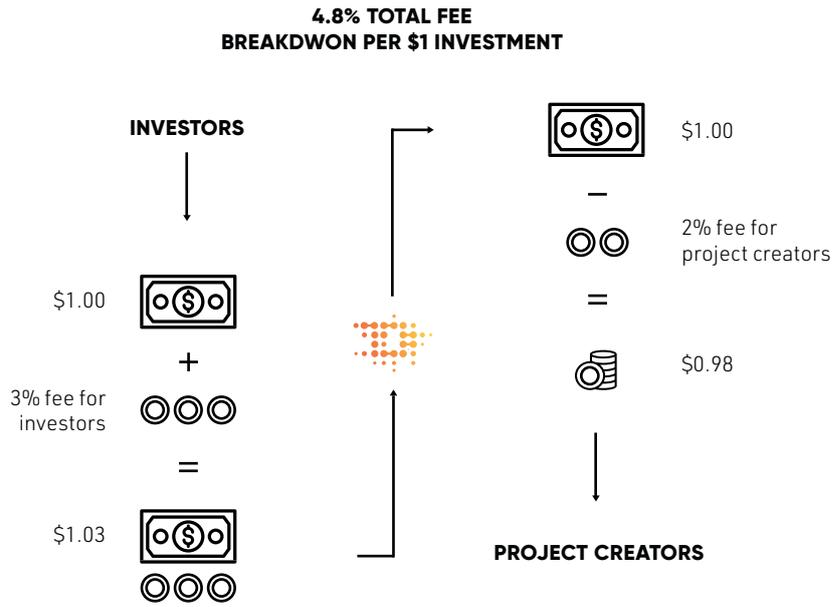


Fig. 13 - Breakdown of 4.8% total fee

In many examples, tokenizing equity into TAOs will streamline many of the tasks done by the Underwriter or Syndicated Brokers working on behalf of the issuing financial institution. By earmarking 100% of the revenue earned by TAO Ltd. through fees to be reinvested into the growth of the platform and distributed quarterly as dividends to investors. This model is designed to benefit TAO Token investors and the TAODust economy by supporting proposed projects, ongoing development, and expanded liquidity of the Tokenized Secondary Market of assets, or ETOs, which will be available on the TAODust Platform.



07

**The token economics of
the TaoDust STO**

The token economics of the TaoDust Security Token Offering

To accomplish the development and launch of the platform, including ensuring proper regulatory compliance as well as the security of the technology, TAODust will be having a Security Token Offering (STO), or alternative to an Initial Coin Offering (ICO) in 2019. This offering will be for TAO Tokens (TAO), which are ERC20 tokens that represent the TAODust Platform itself, not the projects listed on it, as project creators will determine what their tokens will be. These TAO tokens allow investors in the TAODust Platform to access instant liquidity in secondary markets.

Although not a key component to the function of the actual TAODust Platform itself, the Security Token offering and distribution of TAODust Tokens (TAO) is critical to the successful launch of the platform. These reserved tokens are intended for investors, the team, partners, and others for the purpose of bootstrapping the development of the TAODust Platform itself, and its supplemental economy of offerings.



Fig. 14 - 2019 TaoDust Roadmap

2020-2021 - Platform development and launch. Decentralized exchange partnership(s), or development of a TAODust platform secondary market. Furthermore, ongoing regulatory reviews, technology security audits, and platform improvements. Currently TAODust is working with various partners to build a decentralized exchange where all the tokens from a startup's funding round will be listed. After our initial funding round and subsequent STO, we will also use those tokens issued (15% of the crowdfunded capital) to incubate the most worthy projects in the emerging tokenized asset class for the first three years of operations.

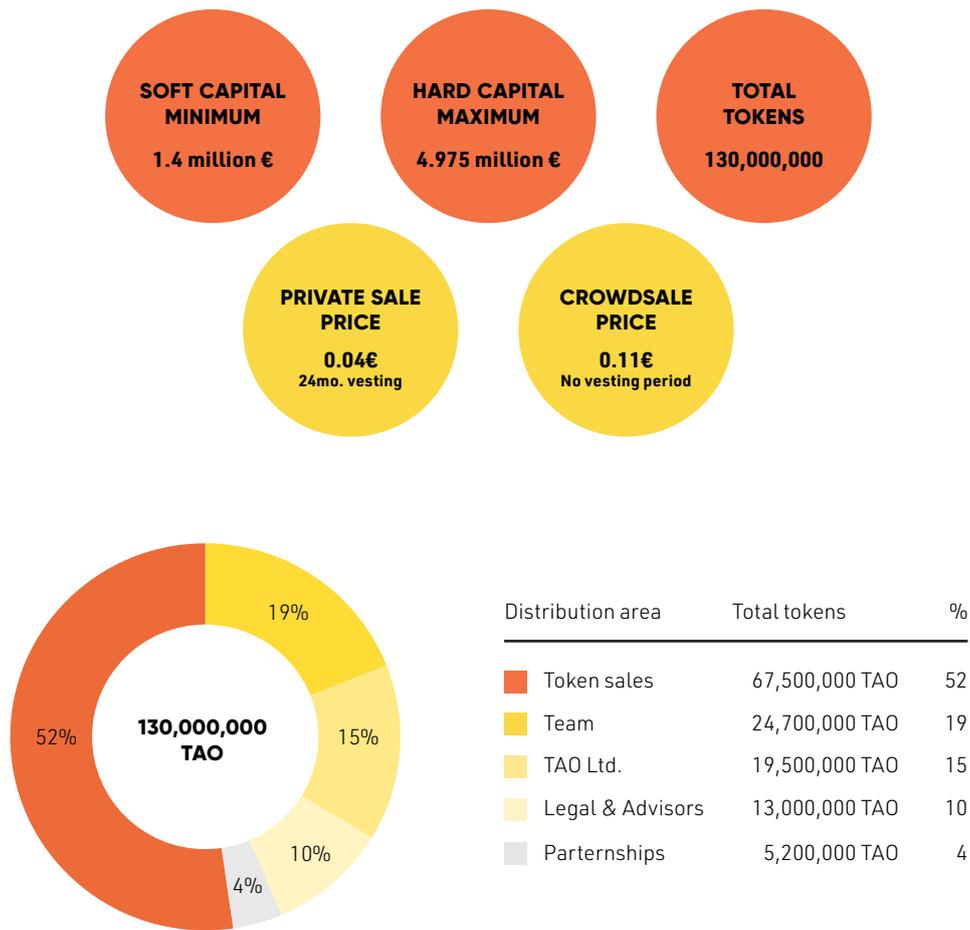


Fig. 16 - Token distribution model



The TaoDust platform investment model

The TaoDust platform investment model

By staking an early-entry investment in the TAODust LTD., an Investor has direct exposure to shared earnings from the TAODust Platform. The revenue which is generated through the TAODust Platform, by way of its split 5% fee structure, will be used to provide short-term liquidity for operational expenses and long-term growth through quarterly dividends. This means that earlystage investors in the TAODust Platform receive not only tokens, but short and long-term earnings from the performance of the platform itself. As the TAODust Platform grows, the volume of fees will increase, and tokens granted to us will appreciate over time and become liquid enough that TAO Ltd will be able to provide revenue through additional investment activities with those assets.

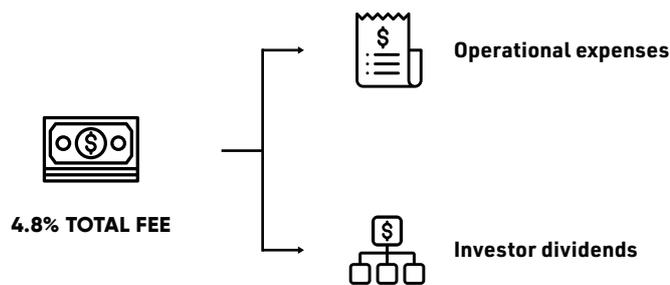


Fig. 17 - Usage of TaoDust fees

The Short-term

A 3% fee is taken at the time of sale from the investor, this represents short term growth of the investment on an ongoing basis. This fee is in the form of Bitcoin, Ethereum, or fiat currencies, and represents 3% of the total transaction that the investor engaged in.

The Long-term

A 2% fee is taken from the project creator's tokens when they hold their ETO, this represents long-term growth of the investment with the measure of growth being directly linked to the quality and success of the project. This fee is in the form of the project's tokens minted on the TAODust Platform and represents 2% of the total tokens minted during their ETO.



The TaoDust team

The TaoDust team



ALAN TONETTI
CEO & FOUNDER

Alan Tonetti is a Digital Marketing, and Communication Manager turned Entrepreneur. He worked with international companies like Samsung at Rio 2016 Olympics, BancaMediolanum, Charitystars and many others. Alan is passionate about blockchain, a speaker at crypto conferences around Europe, and advisor for new projects. He loves reading white papers and investing in projects at the very early stages.



FEDERICO CALARCO
CO-FOUNDER & BLOCKCHAIN DEVELOPER

Federico spent his last four years as a developer for many projects on the blockchain, such as Nuhance Network. Sporting a background as a professional athlete, he chose to pursue a coding career and is extremely knowledgeable in large-scale distributed systems, search engine, browser tech, and full stack development.



MATTIA FRANZONI
CO-FOUNDER

Entrepreneur, blockchain enthusiast, transhumanist, biohacker, and miner. Mattia spends his life studying new technologies that could solve many of today's most pressing problems. Writer at the first Italian magazine that discussed cryptocurrency and blockchain.



DAVID JARAMILLO
BLOCKCHAIN DEVELOPER

David has more than five years of experience in financial systems and migrating legacy systems to new technology. His principle assets are his sharp problem analysis and resolution skills as well as learning all he can about the latest technologies. He has acted as a technical advisor to several projects in the emerging tech space.

