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CEO JAMES BORLAND

# The Problem

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Equity crowdfunding platforms today give you very limited control of your equity and charge high fees on fully funded projects.

# The Solution

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The solution to this problem is **“Blockchain”**.



Blockchain allows the creation of unique business specific tokens for every successfully crowdfunded project. These tokens will work in the exact same way that shares work except they are fully owned and controlled by each individual investor.



Owners of these tokens can receive dividend payments; they can sell their tokens and there is the possibility of adding a voting right feature at a later stage.



Blockchain also allows lower fees for crowdfunding as we don't need to pay any third parties to process payments. We can control all payments ourselves on the Ethereum Blockchain.

# The Product

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The EQ-Token business will essentially be a miniature stock exchange for start-up companies or existing businesses requiring additional funding.

Businesses will pitch their idea to investors on our website with a specific amount of money to raise, a time limit (usually 30-60 days) and a percentage of equity that they are offering of the business in exchange for investment.

If the pitch reaches its target investment amount, the equity in the business gets signed over to EQ-Token, we send over the money raised and then we will create a new unique token on the Ethereum blockchain which we distribute evenly to all investors. This token will in effect, be an equity share of the business that they have invested in.

Any dividends to pay out to investors will be sent to us at EQ-Token and we will distribute evenly to all holders of that unique token.

If the company is ever sold or goes public, the money from that portion of the business will be sent to EQ-Token and we will then distribute this to all holders of this specific token.

Blockchain is an incredible tool that allows the tracking of all assets. It is extremely secure, very easy to use and transaction fees are low.

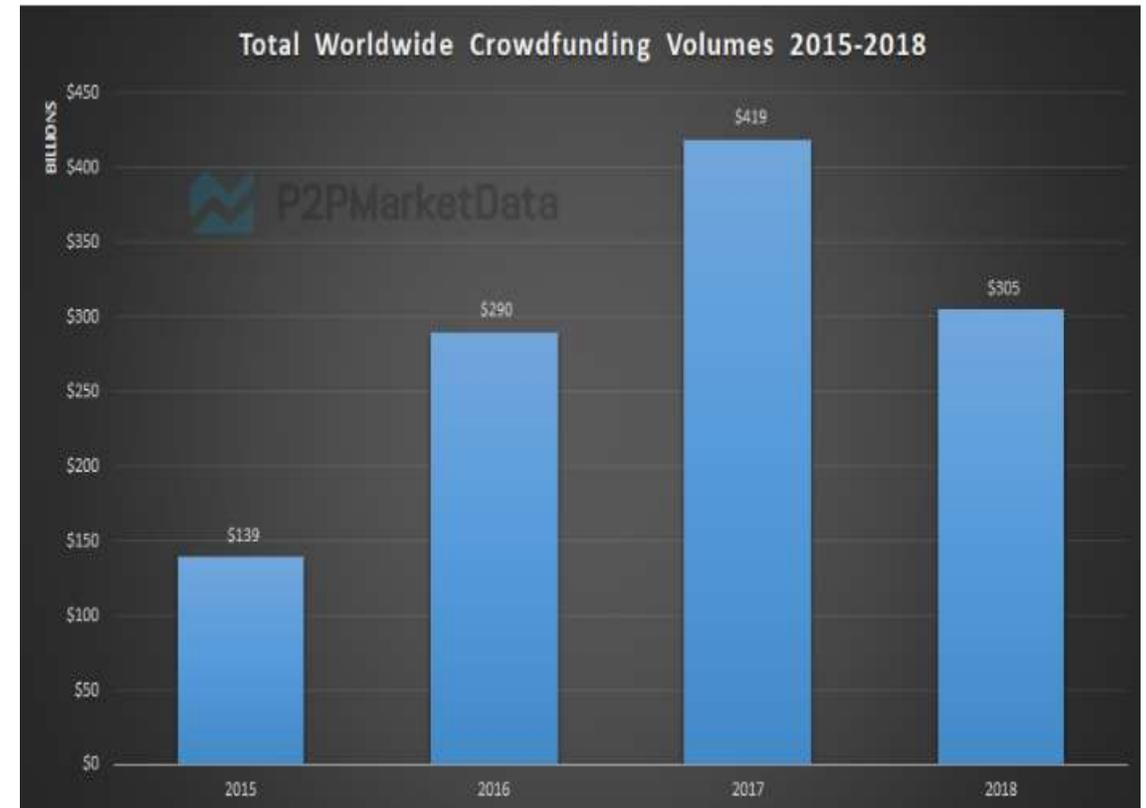
# The Market

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The last few years has seen the growth and hype around crowdfunding surpassed by only one other technological development in the finance sphere – the emergence of cryptocurrencies and the blockchain technology that underpins them.

EQ-Token will be one of the first companies to combine both.

The crowdfunding markets over the last 5 years have grown by an average of 30-50% year on year. *(drop off in 2018 was caused by strict regulatory changes in China to prevent fraud, excluding China would actually show a 49% increase from 2017 – 2018 for the rest of the world).*



Source: <https://p2pmarketdata.com/crowdfunding-statistics-worldwide/>

# The Market Cont.

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The growth rate in the crowdfunding sector for some of our main competitors is shown below:

**Kickstarter** – For the first 4 years since launching, Kickstarter’s revenue increased 3-400% each year.

**Crowdcube** – Between 2014 and 2018, Crowdcube’s revenue increased by 640%.

**Seedrs** - In 2018, Seedrs generated £3.18m of revenue, up 56% on 2017 (£2.04m) and up 190% on 2016 (£1.10m)

The logo for Kickstarter, featuring the word "KICKSTARTER" in a bold, sans-serif font. "KICK" is in black and "STARTER" is in green.The logo for Crowdcube, featuring the word "crowdcube" in a white, lowercase, sans-serif font inside an orange rounded rectangle.The logo for Seedrs, featuring a green circular icon with a white leaf-like shape inside, followed by the word "SEEDRS" in a bold, black, sans-serif font.

# Competition

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There are currently no competitors that combine blockchain and crowdfunding in the way that we are planning to.

The main competitors are:

**Kickstarter** – Kickstarter do not offer equity in return for investment, they have raised \$4.4b over the last 10 years and their fee is 8% of money raised.

**Crowdcube** – Crowdcube can offer equity in return for investment but this equity is controlled by Crowdcube and you can only really sell it if the company you invested in is sold or becomes publicly traded. Crowdcube has raised £690m since 2009 and charge 8% of fees raised.

**Seedrs** – Seedrs is another crowdfunding platform that can offer equity in return for investment but quite like Crowdcube, you have very little control of your shares and can only sell if you can find a match up on their website. Seedrs charge 8% of fees raised.

# Legal Issues

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The main hurdle for EQ-Token will be to put in place the proper financial framework to legally set up the business in a way that satisfies all regulatory requirements.

After consulting with legal representation in Gibraltar, we have concluded that this would be a viable option to obtain licensing in Gibraltar. To use ERC20 tokens in the way that we plan to would require us to acquire a DLT license.

We will however look into the possibility of being able to establish the business in the UK but as the regulations around cryptocurrency is not as clear here, we will need to invest some money into ensuring that it is legally possible with the current UK crypto securities regulations.



# Fundraising

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We will be applying for a proof of concept grant that will allow us to preliminarily create a working website model as well as to further look into legal aspects of using crypto tokens in this way.

We will then be trying to raise £800k to start the business and be able to cover required costs for the first year with sufficient reserves to cover us until our revenue increases enough to help us be self-sustainable.

We will be having an IEO (Initial Exchange Offering) to sell 60m EQ20 tokens for \$0.05/token to raise \$3m. This IEO will not be carried out until year 2 of trading to ensure that we have sufficient business to justify the token price. The money raised during this IEO will be used to help expand the business throughout Europe, the US and Asia.



# EQ20 Tokens

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EQ20, what is it?

EQ20 is our unique token, based on the Ethereum blockchain. There is a total supply of 100m of these tokens, we will be selling 60m during our IEO (for \$0.05/token) to raise money expand the business. We will most likely sell these tokens in the middle of year 2 to ensure that we have sufficient traffic on our website to justify their value.

When we are in business, we will be creating brand new, unique tokens for every successfully funded project. These tokens will be worth a certain percentage of equity in the specific business that was raising money on our platform.

EQ20 tokens will operate differently to all of the separate unique tokens that we plan to create in the future for successful crowdfunded projects. Whereas these future tokens gain their value because they are worth a percentage of equity in a specific business, EQ20 tokens value comes from the fact that holders of EQ20 tokens will be sent a portion of tokens from every project we ever help to fund, ever!

*An example: I spend \$10,000 during the IEO to buy 200,000 EQ20 tokens*

*A business called "Business X", wants to raise \$300,000 on our platform and is offering investors 15% equity in the business for this investment.*

*They successfully reach their funding goal and so we send them \$285,000 (we take a 5% fee), they sign over 15% equity in their business to EQ-Token, we then create 100m tokens for "Business X" and we call them "BTX". 97m of these tokens then get evenly distributed to all people who invested the \$300,000 in "Business X" and then the remaining 3m BTX tokens, get distributed evenly to all holders of EQ20 tokens.*

*Because I have 200,000 EQ20 tokens in my Ethereum wallet, I will be sent 6,000 BTX tokens and the same number of tokens from every other project ever created on the EQ-Token platform.*

These equity tokens can be bought/sold on our own cryptocurrency exchange, moved anywhere or to anybody on the Ethereum blockchain or you can just keep them until the individual businesses start to pay dividends or increase in value. EQ20 token holders will also be sent 25% of the fee that we charge on any dividend payments.

# Financials

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**Year 1** – We estimate that in year 1, it will cost up to **£450k** to start the business. This includes:

- Salaries for software engineers, cyber security experts, marketing consultants, customer service and admin (£180-200k).
- Legal – Application for the DLT license will cost from £40-£50k depending on required involvement (if we decide to base business from Gibraltar)
- Offices and corporation licencing (£30k)
- Required hardware (servers etc) (£30k)
- External contractor support (£40k)
- Required marketing resources (£100-120k)

**Year 2** – The estimated required capital needed for year 2 will be similar to year 1 as there will be less initial setup costs (licensing ect.) but we will need to grow our customer service team and expand our marketing budget. Year 2 costs are likely to be close to **£500k**.

# Projections

Year 1: In year one, we aim to raise a total of £5m for approximately 30-40x different projects on our site with sizes ranging from £100k-£300k. Our 5% fee on this will give us £250k revenue. We do not expect to receive any dividend payments to distribute in year 1 and we see the potential for £2k revenue from our EQ-Token exchange (we charge a 0.25% fee on token trades on our exchange, this means that £400k tokens will have been traded among investors).

Year 2: In year 2, with increased number of investors and greater awareness of our platform, we will give a large increase to our revenue through an increased number of funded projects (50-60) but also with our larger investor base, we will be able to fund a larger range of projects from £100k-£300k. The total money raised will be at least £9m, which converts to £450k revenue. We should start to see some small amount of revenue from our fee on dividend payments and our fee on exchange transactions but it will still be a very small percentage of our total revenue.

Dividend and exchange fees are likely to be a very small portion of our revenue in the beginning but if you look forward to year 5/6, we will be funding 150-200 projects/year, we will likely have funded around 500 different projects at this time, which is 500 different unique tokens trading on our exchange and 100-150+ businesses that were funded over 3 years previously that we hope to be seeing increasing dividend payments from.

As of October 2019, after 10 years, Kickstarter has launched 461,828 different projects with a 37% success rate (170,802 successfully funded projects) they have raised \$4.56b, their 8% revenue fee on this would be \$365m. We offer much more flexibility and reward when compared to Kickstarter. Our projections have been very conservative when comparing to Kickstarters growth.

Revenue	Year 1	Year 2	Year 3	Year 4
Funded Projects	£250,000	£450,000	£850,000	£1,250,000
Dividends	£0	£2,000	£8,000	£15,000
Exchange	£1,000	£4,000	£20,000	£50,000
Total	£251,000	£456,000	£878,000	£1,315,000

Please note: these projections start from day 1 of trading, there will be a 4-6 month period beforehand when we are creating the final product and applying for required licensing where there will be no revenue.

# Covid-19

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What effect will Covid-19 have on EQ-Token?

The Covid-19 pandemic has obviously not been ideal for business around the world in general but the effect of the pandemic on the start-up of the EQ-Token business is likely to be very minimal. It may even help us during our IEO as there are currently a lot of people out there, stuck at home, looking for something to do.

After the IEO, when trying to put our team together, a lot of this work can be done remotely. Months later when we release our finished product, we hope to be on the other side of the pandemic with things starting return to normal. Unemployment is going to be high and we expect to see a surge in people trying to set up their own businesses. Banks will have taken a large financial hit and will be a lot more conservative with business loans. Crowdfunding will be more important than it ever has been and this will be the perfect time for the release of our blockchain based equity crowdfunding platform.

# Further Information

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For further information please visit our website [www.eq-token.com](http://www.eq-token.com) and check out our whitepaper

If you have any additional questions, please do not hesitate to contact me:

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