Digital Assets
Investment Overview

Q1 2019
SUMMARY PERSPECTIVES

- Blockchain technology will disrupt most industries. The exact speed of market adoption is unclear, however the opportunity is in the trillions and we are still in the early innings. Making investments in the near-term could provide outsized returns for investors.

- Global investors’ grasp of blockchain is varied from years to days, with most still building their awareness before making significant investments. MLG aims to educate and provide investment opportunities to investors.

- Two fundamental concepts for investors to understand as they begin their journey into digital asset investing are:
  - Digital assets are an entirely new asset class; investing in digital assets is not only prudent investment allocation from a diversification standpoint but also a hedge to traditional financial markets.
  - Crypto fundraising (i.e., ICOs, STOs) is a new way for companies to raise capital and assets to become more liquid - investors are global, markets are open 24/7 and capital can be raised in weeks vs months.

- MLG is a leading global firm that brings blockchain expertise in investment banking, capital raising, technology development and investing, and brings these perspectives to bear for investors. Further, MLG has broker dealer capabilities to provide investors with regulatory compliant investing opportunities. MLG also has a detailed diligence process for its new clients (issuers), including stringent KYC and AML requirements.
OVERVIEW

1. Digital Assets
   A Brief History | What are Digital Assets? | Types of Digital Assets

2. Significance
   Effective Diversification | Institutional Attention | Digital Asset Performance | Time to Enter

3. How Can Investors Take Advantage?
   Regulatory Landscape | Canadian Legal Perspective | Entering the Market

4. MLG Blockchain
   Global Overview | Leadership Team | Investor Solutions
DIGITAL ASSETS
A BRIEF HISTORY OF BLOCKCHAIN

The Beginning of Bitcoin & Blockchain
During the financial crisis, an anonymous person/group, known as Satoshi Nakamoto, published a white paper describing the creation of Bitcoin. This created the first blockchain the world had seen.

Introduction of Ethereum
Ethereum was proposed by founder Vitalik Buterin. Ethereum gained popularity as the platform due to its smart contract functionality and decentralized app (dApps) capabilities.

Popularity of Protocols
Platforms such as ICON, EOS, AION were launched. A network token can have many tokens or decentralized applications built on top of it. Blockchain gains global attention.

Initial Coin Offerings Gain Mainstream Popularity
Over 2,000 ICOs launched, amassing over $10 Billion total fundraised. Cryptocurrency markets reached an all time market-cap high of $830 Billion on January 7, 2018.

Institutional Investors and Global Enterprises Enter Market
Fortune 500 firms began forming global Blockchain initiatives. Goldman Sachs, JP Morgan, and other institutions begin investing in Blockchain companies.
WHAT ARE DIGITAL ASSETS?

A protocol of value exchange: There are Thousands of Cryptocurrencies

Basic Properties of Money

- Serves as a medium of exchange
- Store of value
- Interchangeability with other individual goods or assets [fungibility]

Instant Value Transfers

- Digital assets are similar to Email. While, Email is the information protocol, digital assets are the value protocol
- Digital assets are the first mainstream application of the blockchain
- All digital asset transactions are logged on blockchains

Native Protocol
Supports its own network and governance model. Ex. Ripple, Icon, AION, IOTA, etc

Non-native Protocol
Based on existing blockchain network with small changes, but on its own independent network. Ex. Litecoin, Dash, Bitcoin Cash, etc

Tokens
Non-native protocol which rely on existing blockchain networks for operation. Ex. Kinesis, ox, Augur, OmiseGo, etc

Altcoins
All other digital assets

Ethereum
#2 in market cap ~11% of digital assets

Bitcoin
#1 in market cap ~53% of digital assets
## TYPES OF DIGITAL ASSETS

<table>
<thead>
<tr>
<th>Security</th>
<th>Equity</th>
<th>Utility</th>
<th>Asset-Backed</th>
<th>Stable Coins</th>
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<tr>
<td>Derives value from an external tradable asset and becomes classified as a security token, which is subject to federal securities regulations.</td>
<td>Subcategory of security tokens that represent ownership of an asset, such as company stock.</td>
<td>Utility tokens provide users with access to an underlying platform where tokens can be spent on products or services.</td>
<td>Value is derived from a physical asset and issuer is responsible for holding the asset. Tokens represent residual ownership in the underlying asset.</td>
<td>A cryptocurrency with a fixed price that is pegged to a fiat currency.</td>
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### Equity Tokens
- Equity tokens are pending regulation.

### Utility Tokens
- Tron
- ICON

### Asset-Backed Tokens
- KIN
- Hyperion

### Stable Coins
- BASIS
- Tether

1. In the process of becoming one of the first ever security token offering on Polymath platform
SIGNIFICANCE
INSTITUTIONAL ATTENTION HAS JUST BEGUN

Intercontinental Exchange (ICE), the parent company of the New York Stock Exchange, has since launched a **bitcoin futures desk** and exchange known as Bakkt which received **$182.5M** in financing and plans to offer **crypto settled futures** in 2019.

Fidelity has launched a **digital asset brokerage** as well as **cold storage services**.

Famed endowment manager **David Swensen** has put an allocation of Yale’s endowment fund into **crypto hedge funds** Paradigm and a16z.

Morgan Stanley report says cryptocurrencies are now an **institutional asset class**.

Goldman Sachs plans to sell **cash settled futures** contract called a **non-deliverable forward** that is linked to bitcoin. They are invested in Circle, a bitcoin trading company.
INSTITUTIONAL ATTENTION HAS JUST BEGUN

Cryptocurrency fund AUM is estimated to be $7.11B (2018) and growing
Digital assets have significantly outperformed the best performing equities.

DATA SOURCE: COINMARKETCAP

DATA SOURCE: YAHOO FINANCE
Digital Assets have a different set of drivers. The investability, political economic features, correlation of returns, and risk-reward profile for digital are all different than traditional assets. A 2018 paper titled "Risk and Returns of Cryptocurrency" from The National Bureau of Economic Research concludes the following:

1. Cryptocurrencies have no exposure to stock market returns, macroeconomic factors, or returns of currencies and commodities.

2. Cryptocurrency returns can be predicted by factors specific to crypto markets. Specifically, there is a strong time-series momentum effect, and proxies for investor attention strongly forecast cryptocurrency returns.

Digital assets are a hedge to traditional financial markets.
Token offerings have transformed fundraising. They are a fundamentally different way to raise capital, which provides both issuers and investors with more alternatives.

- **Access to Global Investors**: A token offering enables access to capital unrestricted by geography.
- **Speed of Capital Raise**: Capital can be raised in a matter of weeks rather than months.
- **Governance**: Offering can be raised with nuanced ownership and governance rights.
- **Variety of Investors**: Token offerings provide the opportunity to access a diverse group of investors.
- **New Ways to Raise Capital**: Token offerings can improve market efficiency and reduce costs when compared to traditional methods.
- **Novel Business Models**: Incorporating a token can give rise to new business models, such as DAOs (decentralized autonomous organizations).
HOW CAN INVESTORS TAKE ADVANTAGE?
INDUSTRY DYNAMICS

Multi-Trillion Dollar Market Opportunity

GARTNER estimates that blockchain’s business value-add will grow to US$176 Billion by 2025, and EXCEED $3.1 TRILLION BY 2030

Implies 90+% CAGR to 2025

Market Movements Suggest It’s Early

Comparing the Gartner Tech Hype Cycle to the total crypto market cap suggest we are at a trough which presents an opportune time to invest

Technology Adoption is Occurring at Higher Rates

“Most people overestimate what they can do in one year and underestimate what they can do in ten years.” - Bill Gates

**Gartner Tech Hype Cycle**

- Technology Trigger
- Peak of Inflated Expectation
- Trough of Disillusionment
- Slope of Enlightenment

**TODAY**

- Cryptocurrency market cap
- Gartner Tech Hype Cycle

Market Movements Suggest It’s Early

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REGULATORY PERSPECTIVES

Progressively Shifting Regulatory Landscape

Major tides are shifting in the international blockchain regulatory landscape

CRYPTO PROGRESSIVE
Australia, Belarus, Canada, Cayman Islands, Denmark, Israel, Mexico, Netherlands, New Zealand, S. Korea, Spain, Switzerland

CRYPTO CAUTIONARY
Algeria, Bangladesh, Bolivia, China, Colombia, Iran, Macau, Morocco, Nepal, Pakistan, Thailand, Vietnam

CRYPTO EXPLORING
Belgium, South Africa, United Kingdom

Degree of regulation varies significantly, with the US seeing moderate levels

Requires Global Regulatory Framework

Source: Morgan Stanley Research
"Blockchain technology has incredible promise for securities and other industries. I think we all can agree on that...It greatly reduces transactions costs, including the costs of verification. It’s a powerful technology."

- Jay Clayton, SEC Chairman (June 2018)

Securities regulation can now be programmed into the issuance of digital assets to ensure it trades compliantly over the course of its entire life.
## KEY CONSIDERATIONS FOR INVESTING

### Education

**Fundamentals**
Understanding the blockchain technology landscape

**Digital Asset Types**
- Security, Utility, Equity, Asset-backed, Stable

**Market Players**
- Institutions
- Hedge Funds
- Venture Capitalists
- Family Offices
- Crypto Whales

### Investing

Digital asset investors must assess the following objectives:

1. **Percentage of portfolio allocation to digital assets**
   
   *A portion of investors’ portfolios should be allocated to digital assets*

2. **Refine investment objectives**
   - Eg. Specific vertical focus, investment horizon, etc.

3. **Review and diligence of source of digital asset investment opportunities**

### Liquidity

**Buying/Selling Digital Assets**
- Exchanges
- Retail Buying
- Private Sales
- Over-the-Counter (OTC)
- Custody Solutions

**Restrictions per Issuer**
- Lock-up periods
- Market Timing/Exit Strategy

**Regulatory Environment**
- Asset Classifications
- Changes by jurisdiction

MLG Blockchain can help investors understand the landscape, provide investment opportunities that meet their criteria, and facilitate liquidity through our partners.
# REGULATORY CONSIDERATIONS

<table>
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<th>Description</th>
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| Regulation A | ● Applies towards US & Canadian businesses issuing under $50 Million in equity securities  
● Enables issuers to undertake public offerings without having to register with the SEC  
● Can solicit investor interest before filing an offering circular |
| Rule 506(b) (Regulation D) | ● Can raise unlimited funds; no limit of accredited and limit of 35 non-accredited investors  
● Limitation on resale - can only be sold under Rule 144 or 144A exemption  
● Forbids the advertisement of securities |
| Rule 506(c) (Regulation D) | ● Can raise unlimited funds; all investors must be accredited  
● Limitations on resale - can only be sold under Rule 144 or 144A exemption  
● General advertising allowed |
| Rule 144A | ● Restrictions on holding periods  
● Applies to qualified institutional buyers (QIBs)  
● Allows QIBs to sell during the restricted period, as long as sold to other QIBs |
| Regulation S | ● Used by US companies raising capital for offshore transactions (outside the U.S.)  
● Exempts issuers from registering with the SEC, as offerings are made outside the U.S.  
● Can be done in conjunction with Rule 506 |

**Commentary**
- The SEC has not yet approved a Reg A offering for a Crypto/Blockchain issuer; we expect this to occur before the end of the first half of 2019
- Most issuers typically use Rule 506(c) because of the ability to do general advertising
- Issuers can combine a Reg D offering and a Reg S offering to reach a global investor base

**Jay Clayton, SEC Chairman**

**June 2018**

"Blockchain technology has incredible promise for securities and other industries. I think we all can agree on that...It greatly reduces transactions costs, including the costs of verification. It's a powerful technology."
MLG BLOCKCHAIN
MLG Blockchain is a global venture creation and advisory firm with blockchain technology development and broker dealer capabilities.

Founded: 2016
HQ: Toronto & New York
Headcount: 30+ in 6 countries

Overview

Client offerings
- Capital
- Consulting
- Strategic Advisory
- Technology Development

Select Clients
- barterpay
- TD
- Loopring
- KBA
- IBM
- TRON
- ICON
- AION
- EOS Nation
- STRATX

Select Partners
LEADERSHIP TEAM WITH COMPLEMENTARY EXPERIENCE

**MICHAEL GORD**
Founder & CEO
- Board of Advisors
- Board of Directors
- Blockchain Developer
- Blockchain Education Network
- Bitcoin Canada
- Blockchain Association of Canada
- Toronto Dominion (TD) Bank

**KYLE FRY**
President & CFO
- Director, M&A
- MBA
- Blockchain Expert
- Credit Suisse
- Columbia University
- Blockchain Council

**BRIAN LEIBERMAN**
COO, Head of Capital
- Guiker
- Sonder
- Holt Accelerator
- Crypto Consortium

**RASHEED EL-HINDI**
Managing Director, Capital
- Founding Partner
- Founding Partner
- Founding Partner
- Member
- Triage.com
- Hive.co
- Osaka.io
- Family Offices Network

**MARC BRUYERE**
Head of Investor Relations
- Founder & CEO
- Marketing Strategy
- Partner & Advisor
- Account Manager
- GuruUX
- Capital One
- Spots
- BleuBlancRouge

**DAVE MIRYNECH**
Head of Research
- President
- Director
- Board of Directors
- Ivey Fintech
- Blockchain Education Network
- Scotiabank Digital Banking Lab
SOLUTIONS TAILORED TO INVESTORS

EDUCATIONAL WORKSHOPS
Gain Enterprise Level Knowledge
Specific Workshops Tailored to Your Needs
Fully Understand Regulations

OVER THE COUNTER BROKERAGE
High Value Buy & Sell Liquidity Services
Vetting of Both Parties for Legitimacy
Legally Compliant, Transparent Procedures

CRYPTO ASSET MANAGEMENT
Expert Asset Analysis and Advisory
Direct Management of Crypto-Portfolios
Fully Explore Global Regulatory Options

INVESTOR RELATIONS SERVICES
Broker Dealer Capabilities *(One of first in world)*
Access to Vetted and Compliant Projects
Enter Private Rounds with Confidence

VAST DEAL FLOW
Top Opportunities Passed to You First
Access to Team Behind Projects
Invites to Global Private Events

INNOVATION & GROWTH
Enter New & Expanding Markets via Investments
Grow Partner & Service Provider Network
Influence the Direction of a Tech Revolution
# MLG Extensive Vetting Process

## Business
1. Founders & Management
   - Experience
   - Exits
2. Tech Team
   - Experience
   - (Blockchain)
3. Marketing
   - Capabilities
4. Advisory
   - Experience
5. Investment
6. Partnerships

## Product
1. Use Case Viability
2. Functionality
3. Disruptive Opportunity or New Business Model
4. Users & Growth

## Market
1. Quantitative
   - Market Size
   - Industry Growth
   - Investment Potential
2. Qualitative
   - Competition
   - Geography
   - Investment Climate

## Risk
1. Product Completion
2. Intellectual Property
3. Regulation & Legal

## Tokenomics
1. Token Type
   - Security
   - Equity
   - Utility
   - Asset-Backed
   - Stable
2. Incentives
3. Mechanics
4. User Focus
5. Supply
6. Sale Structure
7. Stakeholders
8. Discounts
9. Distribution & Use of Proceeds

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Does this product need a Blockchain?
BROKER DEALER KEY CONTACTS

All advisory services are provided through MLG Blockchain’s strategic collaboration with GBCM, a FINRA and SIPC member firm

**MLG Genesis**

\[ \text{MLG is one of the only blockchain firms in the world to have broker dealer capabilities} \]

**Scott Rothman**
President

**Mark Furman**
Chief Compliance Officer

**Kathy Yoon**
General Counsel

**Kyle Fry**
President & CFO

**Brian Leiberman**
COO & Head of Global Capital (BD)

**Rasheed El-Hindi**
Managing Director of Global Capital

**Neil Harounian**
Associate, Corporate Development

**MLG team with Broker Dealer Licenses**