Legacy Crowdsale Memo

Qchain

Draft as of April 6, 2018.

Abstract

Qchain is marketing technology and blockchain solutions company. We are currently building our first product, a blockchain-powered marketplace that make it easy for advertisers and content creators to collaborate on branded content, influencer marketing, and sponsorships. We groups these tree types of advertising under the term "Authentic Marketing," which we define as advertising that connects advertisers to audiences through facilitation by content creators and publishers. For more information about our goals and plans, please refer to our pitch deck.

Contents

Version History

Version	Date
20	August 4, 2017
21	August 8, 2017
22	August 18, 2017
23	August 19, 2017
24	September 6, 2017
25	September 10, 2017
26	September 16, 2017
27	September 18, 2017
28	September 19, 2017
29	September 20, 2017
30	October 1, 2017
31	October 2, 2017
32	October 5, 2017
34	October 8, 2017
35	October 9, 2017
36	October 15, 2017
37	October 23, 2017
38	October 25, 2017
39	October 30, 2017
40	November 19, 2017
41	December 1, 2017
42	December 11, 2017
43	December 17, 2017
44	April 6, 2018

1 Token Details

The Ethereum Qchain ("EQC") and XEM Qchain ("XQC") tokens will be used to engage in transactions and access services on the Qchain application. The EQC token is compliant to ERC20 standards. The XQC token is a standard NEM mosaic. The theoretical maximum supply for EQC and XQC were 75,000,000 tokens for each blockchain. EQC and XQC are independent tokens; they are not locked together by an oracle service. The allocation of our tokens is presented in the following figure.

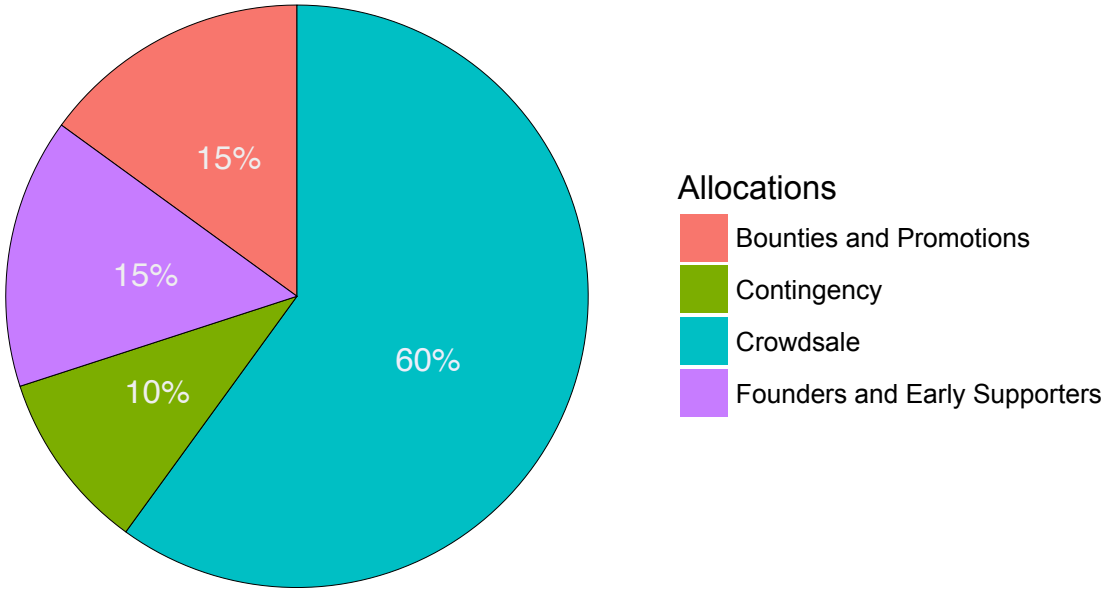

Figure 5: Token Allocations

- 60% of our tokens will be sold in the crowdsale.
- 15% will be earmarked for use in bounties and promotions. Promotions will be used to introduce publishers to our platform to kickstart our adoption.
- 10% will be saved as a contingency reserve in case recovery from an emergency is necessary.
- 15% will be held by the founders and team to be used in the Qchain ecosystem or serve as an additional contingency cache.

Following the crowdsale, there was a final supply of 54,863,905 EQC and 48,813,421 XQC. Unallocated tokens were proportionally burned.

2 Crowdsale Details

The crowdsale will be used to cover our business and technological development costs. The crowdsale launched on October 24th, 2017 at approximately 9:15 PM GMT and ran until December 29th, 11:59 PM GMT. Below are the legacy details for the crowdsale that were presented prior to crowdsale launch:

- A directory of the main website will be created at qchain.co/crowdsale with instructions for participating in the token launch once dates have been announced.
- For the EQC portion of the crowdsale, only Ether (ETH) will be accepted. For the XQC portion of the crowdsale, only XEM will be accepted.
- Contributions will be sent to two multisignature wallet addresses, one for ETH and one for XEM.
- A hard cap maximum of 75,000,000 EQC and 75,000,000 XQC tokens will be sold for each crowdsale, representing 60% of the respective supply for each token.
- The minimum threshold to be met for the ETH portion of the crowdsale is 1000 ETH. The minimum threshold to be met for the XEM portion of the crowdsale is 100,000 XEM.
- The amount of EQC or XQC tokens ultimately sold will represent 60% of the total respective EQC or XQC supply.
- There will be a 15% token bonus for participating within the first three days of the crowdsale, a 7.5% token bonus for the following week (seven days), and a 4% bonus for the next ten days thereafter. After the first 20 days of the crowdsale, there will be no more token bonuses.
- The crowdsale will run for 42 days, or until the entire token supplies are exhausted, whichever occurs first.
- Tokens will be created prior to the commencement of the main crowdsale, and tokens will be transferred to contributor accounts after their contribution is received.
- Untransferred tokens from the initial supply not purchased during the crowdsale will be burned.
- The standard XQC to XEM exchange rate will be pegged at 4 XQC per 1 XEM during the main crowdsale. The EQC to ETH exchange rate will be pegged at 4000 EQC per 1 ETH.

- The code for the crowdsale will undergo testing and audit by the Ethereum smart contract development firm Zerion and core NEM developers before launch to ensure the security and integrity of the code.

- Residents from the US State of New York and OFAC-sanctioned countries[1] will not be allowed to participate in the crowdsale. Thus, IP addresses from countries sanctioned by the US Office of Foreign Assets Control (OFAC) will be blocked from participating the crowdsale interface, and contributors from New York State will be blocked at the KYC level. The OFAC-sanctioned countries to be IP-banned are as follows: the disputed Crimean region, Cuba, North Korea, Sudan, and Syria.

There were approximately 350 participants in our crowdsale. Calculating by cryptocurrency value at time of receipt, we achieved a raise of approximately $700,000. We are grateful for the community support that has allowed us to proceed with this project.

[1] U.S. Department of the Treasury. Sanctions Programs and Country Information. https://www.treasury.gov/resource-center/sanctions/Programs/Pages/Programs.aspx (accessed July 24, 2017).

3 Legal Disclosures

Last Updated: June 10, 2017

1. **Risk of Losing Access to EQC and XQC Due to Loss of Credentials:** The purchasers EQC and XQC may be associated with a Qchain account until they are distributed to the purchaser. The Qchain account can only be accessed with login credentials selected by the purchaser. The loss of these credentials will result in the loss of EQC and XQC. Best practices dictate that purchasers safely store credentials in one or more backup locations geographically separated from the working location.

2. **Risks Associated with the Ethereum and NEM Protocols:** EQC and XQC and the Qchain application are based on the Ethereum and NEM protocols. As such, any malfunction, unintended function, unexpected functioning of or attack on the Ethereum and/or NEM protocols may cause the Qchain application or EQC and XQC to malfunction or function in an unexpected or unintended manner. Ether, the native unit of account of the Ethereum protocol and XEM, the native unit of account of the NEM protocol, may itself lose value in ways similar to EQC and XQC, and also other ways.

3. **Risks Associated with Purchaser Credentials:** Any third party that gains access to or learns of the purchasers login credentials or private keys may be able to dispose of the purchasers EQC and XQC. To minimize this risk, the purchaser should guard against unauthorized access to their electronic devices.

4. **Risk of Unfavorable Regulatory Action in One or More Jurisdictions:** Blockchain technologies have been the subject of scrutiny by various regulatory bodies around the world. The functioning of the Qchain application and EQC and XQC could be impacted by one or more regulatory inquiries or actions, including the licensing of or restrictions on the use, sale, or possession of digital tokens like EQC and XQC, which could impede, limit or end the development of the Qchain application and increase legal costs.

5. **Risk of Alternative, Unofficial Qchain Application:** Following the Crowdsales and the development of the initial version of the EQC and XQC platforms, it is possible that alternative applications could be established, which use the same open source code and protocol underlying the Qchain application. The official Qchain application may compete with these alternative, unofficial EQC and XQC-based applications, which could potentially negatively impact the Qchain application and EQC and XQC, including its value.

6. **Risk of Insufficient Interest in the Qchain Application or Distributed Applications:** It is possible that the Qchain application will not be used by a large number of businesses, individuals, and other organizations and that there will be limited public interest in the creation and development of distributed applications. Such a lack of interest could negatively impact EQC and XQC and the Qchain application.

7. **Risk that the Qchain Application, As Developed, Will Not Meet the Expectations of Qchain or the Purchaser:** The Qchain application is presently under development and may undergo significant changes before release. Any expectations or assumptions regarding the form and functionality of the Qchain application or EQC and XQC (including participant behavior) held by Qchain or the purchaser may not be met upon release, for any number of reasons including mistaken assumptions or analysis, a change in the design and implementation plans and execution of the Qchain application.

8. **Risk of Unfavorable Fluctuation of Ether and Other Currency Value:** The Company team intends to use the proceeds from selling EQC and XQC to fund the maintenance and development of the Qchain application, as described further in the White Paper. The proceeds of the crowdsales will be denominated in Ether or XEM, and converted into other cryptographic and fiat currencies. If the value of Ether or other currencies fluctuates unfavorably during or after the crowdsales, the Company team may not be able to fund development, or may not be able to develop or maintain the Qchain application in the manner that it intended.

9. **Risks from Taxation:** The tax characterization of EQC and XQC is uncertain. You must seek your own tax advice in connection with purchasing EQC and XQC, which may result in adverse tax consequences to you, including withholding taxes, income taxes, and tax reporting requirements.

10. **Risk of Theft and Hacking:** Hackers or other groups or organizations or countries may attempt to interfere with the Qchain application or the availability of EQC and XQC in any number of ways, including service attacks, Sybil attacks, spoofing, smurfing, malware attacks, or consensus based attacks.

11. **Risk of Security Weaknesses in the Qchain Application Core Infrastructure Software:** The Qchain application consists of open source software that is based on other open source software. There is a risk that the Qchain team, or other third parties may intentionally or unintentionally introduce weaknesses or bugs into the core infrastructural elements of the Qchain application interfering with the use of or causing the loss of EQC and XQC.

12. **Risk of Weaknesses or Exploitable Breakthroughs in the Field of Cryptography:** Advances in cryptography, or technical advances such as the development of quantum computers, could present risks to cryptocurrencies and the Qchain platform, which could result in the theft or loss of EQC and XQC.

13. **Risk of EQC and XQC Mining Attacks:** As with other decentralized cryptographic tokens and cryptocurrencies, the blockchain used for the Qchain application is susceptible to mining attacks, including double-spend attacks, majority mining power attacks, selfish-mining attacks, and race condition attacks. Any successful attacks present a risk to the Qchain application, EQC and XQC, and expected proper execution and sequencing of Ethereum contract computations and NEM computations. Despite the efforts of the Qchain team, the risk of known or novel mining attacks exists.

14. **Risk of Lack of Adoption or Use of the Qchain Application:** While EQC and XQC should not be viewed as an investment, it may have value over time. That value may be limited or non-existent if the Qchain application lacks use and adoption. If this becomes the case, there may be few or no markets following the launch of the platform, potentially having an adverse impact on EQC and XQC.

15. **Risk of an Illiquid Market for EQC and XQC:** There very well may never be a secondary market for EQC and XQC. There are currently no exchanges upon which EQC and XQC would trade. If ever exchanges do develop, they will likely be relatively new and subject to poorly understood regulatory oversight. They may therefore be more exposed to fraud and failure than established, regulated exchanges for other products and have a negative impact on EQC and XQC.

16. **Risk of Uninsured Losses:** Unlike bank accounts or accounts at some other financial institutions, funds held using the Qchain application or Ethereum network are generally uninsured. In the event of any loss, there is no public insurer, such as the FDIC, or private insurer, to offer recourse to the purchaser.

17. **Risk of Dissolution of the Qchain Project:** It is possible that, due to any number of reasons, including an unfavorable fluctuation in the value of Ether or XEM, development issues with the Qchain application, the failure of business relationships, or competing intellectual property claims, the Qchain project may no longer be viable as a business or otherwise and may dissolve or fail to launch.

18. **Risk of Malfunction in the Qchain Application:** It is possible that the Qchain application malfunctions in an unfavorable way, including one that results in the loss of EQC and XQC.

19. **Unanticipated Risks:** Cryptographic tokens are a new and untested technology. In addition to the risks discussed in this White Paper, there are risks that the Qchain team cannot anticipate. Further risks may materialize as unanticipated combinations or variations of the discussed risks or the emergence of new risks.