

# Kikohash Token Generation Event

Whitepaper ver 0.3.2

Wittaker S.A.  
Kikohash.com  
support@Kikohash.com

## Abstract

This document describes the service for cloud-based cryptocurrency mining. The Kikohash token sale is aimed to attract multiple contributors into the economy of trading mining-focused hash power by implementing a special token. Acquiring ownership of the equipment implies token redemption and creation of a contract in the user's personal account.

## Introduction

The development of cryptocurrencies is followed by the development of mining — a fundamental process for the majority of blockchain-based systems. Mining is a procedure of finding a unique string, which, in combination with the details of the given transaction block, will comply with the cryptocurrency system requirements. Mining implies trying multiple possible values, and the efficiency of this process depends on the utilized algorithms, software, and chipset architecture (its microcode and energy efficiency).

The creator of the first cryptocurrency — Bitcoin (BTC) — implemented a reward model for mining operators, where miners get coins for each valid hash they find. A similar model was also used for multiple alternative cryptocurrencies: Ethereum, Litecoin, ZCash, and others. Considering the growing cryptocurrency exchange rates, it's safe to assume that mining is an economically attractive business.

Mining has a set of features that are unacceptable for certain financial strategies. There two most common are:

- Increasing mining complexity (growing demands for the hash, aimed to correct the frequency of finding new blocks).
- Volatile exchange rates.

Considering the growing overall value of cryptocurrencies, mining appears to be significantly less attractive in comparison with a buy-and-hold strategy, in terms of discounting the monetary streams. On the other hand, the mining market is growing and more new operators are stepping in, while the increasing media coverage, as well as the overall attention to this subject, provides additional market opportunities.

The task is to create a tool that will lower the aforementioned risks and provide additional diversification of the cryptocurrency portfolio without being a clone of the buy-and-hold strategy.

The following document will show how the cloud mining service works, how the procedure of renting hash power is realized, and why this model is able to provide a positive present value in comparison with traditional mining.

## Cloud Mining From the Inside

Cloud mining is a classic operational business, where the primary commodities and services are:

- Mining equipment trading (ASIC, GPU).
- Renting the equipment.

- Equipment hosting and maintenance services.

The added value is provided by the potential mining profits and low entrance threshold, allowing newcomers to start making profits easily. The growth of sales is conditioned by the increase in media attention around cryptocurrencies and mining. It is especially notable upon rapid moves of the most popular coins' exchange rates.

The sales cycle consists of the following stages:

**Table 1a. Hash Power Trading**

N	Stage	Timeframe
1	Acquiring a unit of equipment	20-30 days
2	Launch and setup	10 days
3	Mining “for yourself”	30-90 days
4	Sale	
5	Maintenance	For life, conditionally

**Table 1b. Renting Hash Powers**

N	Stage	Timeframe
1	Acquiring a unit of equipment	20-30 days
2	Launch and setup	10 days
3	Mining “for yourself”	30-90 days
4	Renting out	
5	Returning from the lease	1-2 years (depending on the contract conditions)

It should be said that past stage 3 (Mining “for yourself”), the conditions for mining are much more beneficial than those of the client due to the difference in mining complexity<sup>1</sup>. Once stage 4 (Selling, Renting) is over, the working capital is returned.

Such a business model allows operators to mine coins at a lower cost, as well as providing return of the investments and profits in a shorter term. The released funds are included into subsequent sales cycles. Therefore, the temporary risks entailed by decreases in mining profits are mitigated.

---

<sup>1</sup> Mining complexity typically grows over time, since the overall network hash power grows due to the inclusion of new capacities.

Advantages of cloud mining over traditional mining:

- Faster return of capital, regardless of the cryptocurrencies' exchange rates.
- Stable income from maintenance for years to come.
- Earlier coin generation.
- Access to funds from the maintenance prepayments.
- Increased growth rate of the equipment pool (decreasing costs per unit).
- Access to the working capital.
- Significantly lower financial and temporary risks.

### Project Evaluation

The NPV (Net Present Value) metric is the typical indicator used in the evaluation of a certain project's economic attractiveness.

*NPV is the difference between all inbound and outbound money streams present at the moment of evaluation. It shows the amount of capital an investor is expecting to get from the project once its income covers the initial investment and periodical outflows tied to the project realization. Since payments are evaluated in regard with the related time values and risks, NPV can be represented as a value added by the project or as the overall investor's revenue.*

$$NPV = \sum_{t=0}^N \frac{CF_t}{(1+i)^t} = -IC + \sum_{t=1}^N \frac{CF_t}{(1+i)^t}$$

*Where  $CF_t$  stands for payment after  $t$  of periods,  $IC$  for initial investment of size  $-CF_0$ , and  $i$  for discount rate or comparison rate, if used for the comparison of investment opportunities.*

The task is to evaluate the economic component of a cloud mining service in comparison with traditional mining. The miner with a GPU and the cloud mining operator are compared to calculate IRR<sup>2</sup> — an internal rate of return — that allows the comparison of the different approaches:

<u>An abstract miner who buys a single GPU and mines at home</u>													
Month	0	1	2	3	4	5	6	7	8	9	10	11	12
Equipment purchase	-400												
Mining revenues		75	75	75	75	75	75	75	75	75	75	75	75
Electricity costs		-12	-12	-12	-12	-12	-12	-12	-12	-12	-12	-12	-12
<b>Money flow</b>	<b>-400</b>	<b>63</b>	<b>63</b>	<b>63</b>	<b>63</b>	<b>63</b>	<b>63</b>	<b>63</b>	<b>63</b>	<b>63</b>	<b>63</b>	<b>63</b>	<b>63</b>
<b>Monthly IRR</b>	<b>11.50%</b>												
<u>An abstract cloud mining operator who buys a single GPU and rents it out</u>													
Month	0	1	2	3	4	5	6	7	8	9	10	11	12
Equipment purchase	-400												
Leasing revenues		700											

<sup>2</sup> IRR — An indicator for which the project NPV equals zero.

Electricity costs		-12	-12	-12	-12	-12	-12	-12	-12	-12	-12	-12	-12
<b>Money flow</b>	<b>-400</b>	<b>688</b>	<b>-12</b>	<b>-12</b>	<b>-12</b>	<b>-12</b>	<b>-12</b>	<b>-12</b>	<b>-12</b>	<b>-12</b>	<b>-12</b>	<b>-12</b>	<b>-12</b>
<b>Monthly IRR</b>	<b>67.64%</b>												

This is a purely speculative example showing the difference in payback. There is also an opportunity for examining subsequent sales cycles. Note that the increasing mining complexity is not taken into account in this particular example, otherwise the “traditional” mining method would be shown to be less profitable.

A detailed economic model of the real project, including the forecasts of the complexity and exchange rate dynamics, is reviewed in the “Funding” section.

Therefore, it is a business model that provides a stable fiat revenue, doesn’t depend on the cryptocurrency market fluctuations and mining complexity, and allows the investments and profits to be returned at the projected point in time.

### **Kikohash.com**

The stated business model was tested in practice via the Kikohash.com project (owned by Wittaker S.A, Belize). The capital used for the first sales cycle was \$5,000. This sum allowed the purchase and putting into operation 10 GPUs<sup>3</sup>. Over 1 year, the equipment pool amounted to 330 cards. This amount was reached without increasing the authorized capital and attracting loans.

### **Marketing Cloud Mining**

There are many different approaches to cloud mining marketing. The main 3 among them are:

- Leasing operational capacities for a certain period of time.
- Lifetime contracts without the rights for equipment.
- Lifetime contracts with the rights for equipment.

The service fees may consist of one of the following:

- Daily fees withheld from the mined rewards.
- Prepayments for a certain period.

Currently the market leaders prefer the following combinations:

- For GPU mining — leasing for a certain period (1-2 years) with prepayment for the equipment.
- For ASIC mining — lifetime contracts without the rights to return equipment and daily maintenance fees.

Over the first token sale event, Kikohash offers to purchase GPUs with the option to rent out the capacities to third parties. A leasing contracts marketplace is a platform for two-way orders (bid and ask) created in line with the following parameters:

- Type of the equipment
- Amount of the equipment
- The term of leasing
- Contract cost per unit / for all equipment

---

<sup>3</sup> The given equipment and capital amounts for the first offering are conditioned by the requirements of partners who assisted with project promotion.

At the conclusion of the contract, the seller's capacities are transferred to the buyer for the period specified in the contract. The contract cost includes maintenance fees based on the actual tariff scale (generally, discounts on maintenance fees are offered with prepayments for 3 or more months). Maintenance payments are transferred to the company at the conclusion of the contract between seller and buyer.

The costs of expanding the market for leasing contracts will be covered by the 3% contract entrance fee and the company's own profit margin.

The company offers lease contracts of different terms, while flexible conditions for customers ensure that prices will be lower than those on secondary markets.

## The KIKO Token

*Note: earlier editions of this document treat the token purchase procedure as joint venture financing with centralized control over the project and profit sharing. The model was changed due to enforcement of new regulatory frameworks in numerous jurisdictions.*

### Why Implement a Token?

Establishing a cloud mining operation is a profitable investment opportunity, as implied by the problem analysis above. On the other hand, centralized purchases and installation of equipment adds interest by decreasing the unit cost and operational expenses. A token sale is one of the most efficient ways to achieve these goals.

The most obvious solution is to raise funds for a joint venture while keeping a share of tokens for the operator company. However, restrictions imposed by regulators across various jurisdictions, including the US, China, and Singapore, qualify said fundraising model as securities trading, which is subject to regulations.

To make sure the project's tokens are not deemed securities, the procedure should be in accordance with the following criteria:

- No joint venture is created.
- The ways of revenue generation of the company and its token holders are not related.
- Clients' revenues are not based on the expectation of company's actions.

The company offers the token as a coupon that covers 99% of the equipment cost, i.e. the cost of a particular GPU model inside a mining computer. Acquiring ownership of the equipment implies token redemption and creation of a contract in the user's personal account. Users are entitled to individually choose the algorithms and coins for mining. They also have the access to the marketplace where they can lease their equipment. One hundred per cent of the issued tokens will be allocated for sale. The operator company doesn't generate tokens for its own possession.

### Token Holder Rights

Token is a coupon that gives a 99% discount for the cost of buyout of a Radeon RX470 4GB GPU, installed in a tested computer inside one of the company's or partner's data centers.

At the point of token redemption, all the coins mined by that time are credited and the operation is then reflected in the user's account. The process of commissioning the entire equipment pool is stretched in time accordingly with the roadmap.

A contract launched in the user's account covers transfer of ownership. Therefore, a client may request dismantling of their equipment and its shipment to a specified address, but they will have to pay for the shipment.

### Token Pricing

By giving preference to the most transparent systems, we attempt to expose the entire procedure of procurement and launching equipment in a data center, calculate production costs, and reason our own margin.

Ultimately, the mining machine is a device assembled from computer components and auxiliary materials. The following specification is an example of a machine with 6 GPUs.



Table X.

Example of cost calculation for a full machine, a GPU, and a token.

Total machines			1
Cards per machine			18
KIKO tokens for 1 GPU Unit			100
KIKO token redemption discount on unit sell price			99%
<b>Component</b>			
	<b>qt</b>	<b>Price brutto</b>	<b>Sum</b>
ASUS RX470 4G	18	\$282,90	\$5 092,20
PCI-E Riser	18	\$5,95	\$107,10
MB ASUS B250 MINING	1	\$195,00	\$195,00
Intel Celeron G3900	1	\$58,00	\$58,00
Toshiba SSD A100 120GB	1	\$55,00	\$55,00
Crucial 4GB DDR4	1	\$34,00	\$34,00
PSU 12V 1300W	1	\$70,00	\$70,00
PicoPSU ATX12V 130W	1	\$19,00	\$19,00
Powercable PCI-E 6+2pin 60cm	18	\$4,76	\$85,68
Powercable 1+1pin 60cm (for riser)	18	\$2,38	\$42,84
HDMI dummy plug	1	\$6,00	\$6,00
Custom case	1	\$41,65	\$41,65
Setup fee (datacenter)	1	\$29,00	\$29,00
Production and testing	1	\$20,00	\$20,00
Delivery to datacenter	1	\$25,00	\$25,00
<b>Production costs per one rig</b>			<b>\$5 880,47</b>
Token sale event marketing 20%	20%		<b>\$1 176,09</b>
Kikohash mark-up	25%		<b>\$1 470,12</b>
One machine full cost			<b>\$8 526,68</b>
One GPU unit cost			<b>\$473,70</b>
One Token price (100 KIKO = 1 GPU unit)			<b>\$4,69</b>



## Operator Company's Revenue

We disclose our profit margins so that our customers can compare our proposal to those of our competitors. The expenses that are not charged to the users are deducted from the margin as described hereunder:

- Arrangement of mining equipment manufacturing:
  - premises rent
  - equipping workplaces with tools
  - ensuring workplace safety
  - production manager's salary
  - payments for electricity and utilities
  
- Establishing a platform for capacity leasing:
  - software development
  - marketing and promotion, marketing team salary
  - advertising agencies' fees
  - legal support
  
- User support:
  - office rent
  - support department salary
  - establishing workplace
  
- Establishing a corporate reserve fund:
  - current operations financing
  - contingency insurance
  - required deposits for electricity bills
  - activities related to warranty obligations
  
- Covering the company's own obligations to project's early participants and creditors.

## Maintenance Fee

The maintenance fee includes the costs of data center services and the operator company's profit margin. At the moment, the target cost of data center services is \$0.0698 per kWh. This price includes electricity costs, rent, cooling, and internet access.

The operator company's margin comprises \$0.065 per kWh. This price includes: 24/7 monitoring, routine repairs and maintenance, setting up the automated control system, and engineers' and system administrators' salaries.

The final cost of maintenance of one GPU card is \$0.49 per day.

Company's own profit is calculated as a difference between the received margin and the aforementioned expenses. The profitability depends on management efficiency, automation of routine operations, and qualitative maintenance of the equipment.

## TGE Goals

The maximum targeted amount of the KIKO token sale is \$11.2M.

The amount is limited due to the potential deficiency of the required material and workforce resources within the planning timeframe of 0.5 years.

The token sale occurs under the ERC20 smart contract rule. The funding is facilitated by the Ethereum platform. The token may only be purchased with ETH.

Once the maximum cap is reached, the fund's reception will stop.

The total pool of tokens will be distributed as follows:

Allottee	Share of total amount
Tokenale	100%

Additional equipment contracts will be allotted as follows (in addition to the general fund):

Kikohash clients (2016) **	3%
Early token buyers **	1.5%

\*\* Funding equipment purchase for the groups marked with an asterisk comes from the company's margin received from the equipment sale. Therefore, said addition does not decrease the final scope of customer equipment.

## Bid Book

Large clients may reserve the contract purchase by pre-ordering a package starting from \$50K. Interaction with this group of buyers involves providing them with telephone support 6 days a week until the end of TGE. For provisional applications, it is possible to purchase equipment via bank transfer, in which case the necessary AML / KYC procedures will be enforceable.

### Key TGE Stages:

- Presale \$50,000 (max) — Raising funds to cover the preparation of legal, marketing and advertising materials, promotion tasks, and MVP development. **The presale took place in July 2017. The total amount of funds attracted over this stage: \$50K.**
- \$500,000 — The minimum threshold. Contributors' investments will be refunded in case this amount isn't reached.
- \$11,200,000 — The maximum amount that can be efficiently invested in project development at the moment.

## Roadmap After the TGE

Q4 2017	Closing crowdfunding and adjusting plans
	Purchasing equipment, starting machines' production
	Launching initial capacities
Q1 2018	Launching 100% of capacity
	Start of token redemption — equipment ownership contracts
	Launching a marketplace for lease contracts trading
Q2 2018	Expanding the market and sales partners network
	Expanding equipment pool, offering clients ability to purchase the equipment

## **Cloud Mining FAQ**

**Q:** In what cases it is more profitable to mine “for oneself” than to sell the capacities?

**A:** There are two main components influencing the profit in case of selling capacities: maintenance and equipment sale. The maintenance generates a stable income in the long-term, while the sale depends on factors such as the market availability of the equipment and the accessibility of the installation spaces. The demand parameters are not taken into account, since in its absence we are still mining “for ourselves.” In case of the expected deficiency of new equipment or installation spaces aimed on new sales, it is reasonable to consider the “for oneself” mining strategies.

**Q:** Why don't cloud mining services make their full capacities and statistics public?

**A:** This would lead to an independent audit of the company and its services, which may entail taxation and reputation risks, tied to the differences between the declared and factual indicators of the business in question. Also, it would entail the assumption of responsibility for the equipment downtime, which happens to every mining operator.

**Q:** How is it possible for both the consumers of cloud mining services and the operating company to earn?

**A:** The methods of profit generation should be separated in respect with the the assumed risks. The cloud mining operator's risks are lower, while the cash flow forecasts are more accurate, so more conservative plans for profit generation may be made. With the efficient infrastructure and low unit costs, the offered final prices for maintenance may be comparable to the cost of organizing a "home" mining.

**Q:** What will you do when the equipment your customers have bought fails?

**A:** Given the appropriate accommodation conditions (cooling, stable electricity provision, no dust contamination), the fraction of malfunctioning components is relatively low — 0.5%, 90% of which are either warranty cases or are repairable. The rest will be covered by the company profits.

**Q:** Why initiate a TGE? Isn't it easier to do it by yourselves without such public events?

**A:** It is possible to develop this business without the public fund attraction. However, currently, the token sale is the most effective option to fund a project. Also larger orders for the components may get additional discounts

**Q:** Isn't such a funding amount too big?

**A:** The maximum raised funds amount is restricted based on the real available options of the equipment purchasing and accommodation. The maximum first-year fund cap is set based on the quotes offered by the service and equipment providers.

## Competition

Company	Mining costs, GPU (~29 MH/s)	Advantages
Genesis Mining	\$840 — 2 years, rent	Long history of operations Long term contract Ether
Hashflare	\$638 — 1 year, rent	Long history of operations
Hashing24	Sold out	Subsidiary of Bitfury
KIKOHASH Token sale	\$465 + 1% (GPU buyout) \$178 (maintenance, annually)  Total costs of buyout with maintenance: 1 year — \$648 2 years — \$826	Ownership of the equipment Option to lease equipment The lowest prices in comparison to competitors Transparent pricing Transparent equipment statistics Purchasing the equipment, not the hashrate

## **Transparency and Disclosure**

Transparency is one of the project's pivotal features.

We believe that the disclosure of:

- Mining statistics
- Utilized equipment statistics
- Accident log
- Financial statements, including the regulated ones

These disclosures wouldn't impair the project's competitive advantage but will lay a firm foundation for its success.

The equipment operator company is obliged to provide the contributors with the taxation and management reporting, disclosing the generated cryptocurrency on balance. This will ensure financial transparency and protect the beneficiary from possible fraud allegations.

Throughout one year, the Kikohash project (operator company WITTAKER S.A., Belize) worked with the disclosed reporting, so anyone willing could verify the correctness of accruals. The same strategy will be used further onwards.

It's important to note that the data presented in the reports is hard to analyze, so its verification will require third-party audit. The audit report, filed together with the company's reports, will strengthen the evaluation of the project.

The same applies to the clients who will purchase cloud mining services. The actual information about the mining capacities and the way of the mined coins' distribution, fixed by the independent auditors' reports, is a competitive advantage.

## Data Center

Planning and building our own data center will help increase the project’s profits in the long-term, as well as its liquidation value. Nevertheless, it is a conservative investment that should be managed differently from the mining equipment. An attempt to manage both these issues will lead to a decrease in financial performance.

At the initial stage, the equipment will be accommodated at several partnering data centers offering compelling electricity prices. This will allow the project to begin mining and selling services as soon as possible. Therefore, it mitigates the time risk that grows every month due to the volatility of cryptocurrency exchange rates and the increasing mining complexity.

Preparation of the detailed description of the project’s own data center organizational plan will begin once the projected hash power is reached.

## Technical Requirements

Mining data center requirements have their own purpose-specific peculiarities:

- Non-standardized equipment
- High energy consumption
- Air-conditioning is economically unprofitable
- The usage of UPS and generators for base load is economically unprofitable. They are applicable only to the critical control and connectivity systems.

Mining equipment	GPU rigs 1.2kW — 4000 шт <b>4.4 MW</b>
Colocation services power capacity	<b>1 MW</b>
Power reserve	30%
Full capacity	<b>6.8 MW</b>
Machine room energy density	5 kW/m <sup>2</sup> (including corridors)
Machine room(-s) area	Not less than 1500 m <sup>2</sup>
Data center rooms	<ul style="list-style-type: none"> <li>● Machine room, one or several</li> <li>● Attendant’s workplace</li> <li>● Office</li> <li>● Workshop</li> <li>● Company’s warehouse</li> <li>● Clients’ warehouse</li> <li>● Security room</li> <li>● Guest rooms</li> <li>● Receipt area</li> <li>● Kitchen</li> <li>● Toilets/Showers</li> </ul>
Ventilation system	Should allow the removal of excess heat (see full capacity) at inflow temperature up to +15 °C and adjust productivity automatically.
Power supply system	Should allow input from two independent sources. Protect the internal networks from overvoltage and overload

	<p>with manual restart.</p> <p>Protect from overload in groups of 15-18 kW.</p> <p>End-consumers (PDU) are connected via CEE-outlets.</p> <p>Provide personnel safety.</p>
UPS system	<p>Protection for:</p> <ul style="list-style-type: none"> <li>● Backbone Networking Equipment</li> <li>● Machine rooms and electrical installations lighting</li> <li>● AC (Access Control) system</li> <li>● Attendant's workplace</li> </ul>
Structured cabling system (SCS)	<p>The standard SCS should be provided in all necessary facilities, excluding the machine room.</p> <p>SCS in the machine room should allow connection of high-capacity commutators, installed in the equipment racks.</p> <p>All cable wiring should be laid into open wire trays, mounted with at least fivefold capacity reserve.</p>
Network	<p>Two or more independent Internet connections.</p> <p>Splitting to VLAN inside the data-center at the aggregation level.</p> <p>At the access level — unmanaged high-capacity switches.</p>
Wireless connection	<p>Guest and service Wi-Fi networks in the whole data-center area</p>
Access control	<p>Access by cards.</p> <p>All doors equipped with card-reading devices.</p> <p>Centralized card management and logging system.</p>
Fire safety	<p>All systems should be designed in accordance with fire safety standards.</p> <p>Automatic power outage in the machine room in case of fire.</p> <p>The machine room, as well as the equipment positioning should be designed to minimize the possible damage.</p>
Security and video surveillance	<p>Providing independent security and video surveillance systems with the data flowing outwards the data center.</p> <p>Early detection of trespassing into the data-center or its territory.</p>



## Risks and Risk Prevention

Threats	Consequences and damage	Possibility	Preventive measures
<b>Design-related</b>			
Design solutions in some of the engineering system contain errors	Decreased mining efficiency, decreased revenues	Average	Involving the experienced design firms with good recommendations
Incorrectly estimated deadlines for project realization	Decreased project NPV	Average	Active project management Finding and reserving subcontractors for a maximum of jobs
Mistakes in project outlay estimations	Lack of liquidity	Low	Financial management, phased budget allocation
<b>Technical</b>			
Low-quality equipment	Decreased productivity, increased maintenance costs	Low	Node monitoring and control, reliable providers and manufacturers of mining and infrastructure equipment
Infrastructure degradation	Frequent accidents and stops, decreased productivity	Low	Constant monitoring and control, ticket system, timely repairs of non-critical malfunctions
Critical event leading to the full stop of mining	Lost revenues and reputation of the project	Average	Available spare parts and equipment for all critical nodes, to-do list for the case of emergency
<b>Organizational</b>			
Lack of equipment offerings	Increased payback period	High	Keep cryptocurrency up to the actual time of payment for the equipment
Infringed equipment delivery deadlines	Increased payback period	High	Penalties provided in supply contracts
Insufficient maintenance staff qualification	Infrastructure degradation, longer recovery time	Average	Strict staff selection, rotation in case of non-compliance

Insufficient management personnel qualification	Impossibility of reaching the projected goals	Average	Thorough selection of managers, setting adequate management objectives
Increasing fixed costs	Fall in profitability	Average	Management accounting strict reporting deadlines and mandatory analysis
<b>Economic and macro-risks</b>			
Plummeting token valuation and panic sales	Losses for token holders	High	Complex financial management aimed at prevention of such threats
Short-term cryptocurrency market fluctuations	Related sentiment	High	Keep calm and mine coins
Third-party issues (exchanges, bad blockchains)	Loss of funds	High	Storing the bulk of funds in cold wallets with multisignature
Unforeseen increase of mining complexity	Decreased profitability	Low	Mine-and-hold strategy
<b>Legal risks</b>			
Treating token sale as investing activity	Increased legal costs Prosecution of the management	High	An agreement that would include such interpretation.
Emergence of responsibility for clients' losses in case of market collapse	Impossibility of obligations execution	High	An agreement that would restrict the company, project, and founders' responsibility
Other claims and liabilities outside the the project's competence	Increased legal costs Prosecution of the management	High	An agreement that would clearly separate the company and founders' responsibilities
Claims from regulators and the respective commissions monitoring money laundering or other illegal financial activities	Increased legal costs Prosecution of the management	Average	Management activities in compliance with international rules

<b>Information Security</b>			
DDoS attacks	Website unavailability, decreased credibility	High	Professionally-built website and respective protection
Embezzlement	Reputational losses, in case of a large-scale incident — bankruptcy, loss of clients' funds	Average	Usage of cold wallets and multisignature
Token/smart-contract attack	Reputational losses, in case of a large-scale incident — bankruptcy, loss of clients' funds	Average	Independent security audit
<b>TGE-related risks</b>			
Insufficient audience reach	Decreased funding, increased unit costs	High	Media plan preventing such threat
Lack of project credibility	Decreased funding, increased unit costs	Average	Media plan preventing such threat
DDoS-attacks	Impossibility to satisfy everyone willing to purchase tokens	High	Readiness for high loads, hiring professionals
Mistakes in fundraising portal development	Impossibility to satisfy everyone willing to purchase tokens	Average	Comprehensive platform testing
Theft of tokens/funds at the early stage	Decreased credibility	Average	Manual token distribution control

**References:**

- [Corporate Finance: A Focused Approach](#) (Michael C. Ehrhardt and Eugene F. Brigham)
- [Building Financial Models](#) (John Tjia)
- [The Definitive Guide to Supply Chain Best Practices: Comprehensive Lessons and Cases in Effective SCM](#) (CSCMP, Robert Frankel)
- [Data Center Fundamentals](#) (Mauricio Arregoces, Maurizio Portolani)
- [Investor Bulletin: Initial Coin Offerings](#) (SEC)
- [Bitcoin: A Peer-to-Peer Electronic Cash System](#) (Satoshi Nakamoto)
- [ERC-20 Token Standard](#) (Fabian Vogelsteller, Vitalik Buterin)