



TOPCOIN

WHITEPAPER:

BLOCKCHAIN LOYALTY PLATFORM FOR DIGITAL PRODUCTS & SERVICES

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Introducing Topcoin

Topcoin is a loyalty token network for digital goods and services using the Ethereum blockchain token protocol.

The first 30 years of the Internet evolved into collaborative computing via the world wide web. Today, we stand at the beginning of the next evolution in computing. New technologies like blockchain are transforming the web's structural protocols.

To date, loyalty programs have been managed by individual companies, creating fragmented, inefficient loyalty ecosystems often leading to poor customer satisfaction. Using blockchain technology combined with smart contracts, decentralized networks have the power to engender trust and improve siloed systems on the web.

Topcoin users interact on distributed loyalty network loyalty that utilizes a standardized token system, giving wholesalers and retailers of digital goods and services a simple way to add a loyalty program into their customer purchase path. By operating on a standardized, interoperable loyalty platform, the Topcoin token network has the potential to increase brand allegiance while enabling interoperability across what are currently siloed programs.

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Abstract

Topcoin is the first operational and fully vertically integrated decentralized loyalty system, with over 15,000 current users.

Loyalty programs are widely used by vendors and consumers, but they have few established standards. Almost all customer affinity programs have high transaction costs, are subject to vendor manipulation, and are not easily exchangeable or interoperable.

Topcoin is the first distributed loyalty network system (DLNS) utilizing a blockchain-based token to allow buyers and sellers of digital goods to improve and expand their sales networks. Vendors can easily and cost effectively offer customers "points" in the form of tokens with the sale of any digital good. The customer can then use their tokens to purchase additional digital goods and services throughout the network. The Topcoin model disrupts traditional customer reward enterprise programs that lack interoperability, are subject to unilaterally imposed inflation, and extract significant transaction costs.

Topcoin already operates as a fully-functional, decentralized and vertically integrated loyalty program for digital goods. In September 2014, Topcoin created the first generation Topcoin.com tokens as a loyalty program working with the Internet domain industry, utilizing the Bitcoin Counterparty platform. With early partnerships such as Uniregistry, individuals holding Topcoin can receive and redeem the tokens for domain purchases. As of July 2017, Topcoin had over 15,000 unique Topcoin registered users.

The expansion of the Topcoin ecosystem requires a significant amount of resources and capital. We will conduct a Token Distribution Event (TDE) to sell one third of the fixed supply of Ethereum based TPC tokens to generate revenue that we will use to improve and expand the network. As part of the expansion, we are creating tokens built on the ERC-223 protocol and we will discontinue the first generation Counterparty tokens.

Utilizing smart contract, Topcoin will be facilitating a network that improves the reliability, and cost basis as compared to traditional loyalty programs. The second generation Topcoin tokens on the Ethereum blockchain will ensure that the ecosystem has access to the popular smart contract functionality. Through expanding the network of partners, Topcoin tokens will experience greater adoption as users will be able to use their tokens beyond the realm of domain names to include all digital goods and services that are associated with domains such as hosting, website creation, email, security, marketing, gaming and other services.

What Problem are We Solving with Topcoin?

THE BENEFITS OF A DECENTRALIZED LOYALTY PROGRAM OVER PROPRIETARY SYSTEMS

The loyalty and rewards industry as a whole generates over 55 billion dollars per year. However, the industry and consumers suffer from several major drawbacks created by the closed nature of most loyalty systems. To begin with, these systems prevent the cross-platform exchange of rewards. Additionally, they use inflation to devalue existing rewards. Furthermore, they extract significant transaction costs from consumers and merchants. Most importantly, they lack the network effects created by an increasingly larger network of users.

The average consumer participates in over 10 loyalty programs, yet exchanging rewards across different systems is either prohibited or complicated. To attempt to solve the problem of disparate proprietary systems, coalitions such as OneWorld for airline miles have evolved. However, by their very nature these coalitions remain closed and inefficient.

In addition, many loyalty programs have failed to maintain the value of their rewards by unilaterally decreeing that they are devaluing their rewards. For example many of the North American airline and hotel frequent user programs have devalued in the past with no notice and little communication to their customers.¹ Devaluation in this context comes from a reduction in the benefits or increasing the number of miles

needed for rewards. Starbucks received negative press when they changed their loyalty program without notice, with customers referring to it as "Starflation."²

Exchanging rewards across different companies remains difficult and risks unpredictable devaluation for the consumer. To solve this problem of "closed loops," different coalitions and other forms of exchange have evolved to patch the problems that closed systems have created. Credit card points that work across a network of partners and skymiles are examples of such patches.

By operating on decentralized loyalty system and making loyalty transactions transparent on a blockchain, Topcoin tokens enable any third party to participate in a common rewards network, while offering customers more trust, transparency, and usability. If an individual company decides to devalue their rewards, the open loyalty ecosystem enables other merchants to step in to otherwise value the Topcoin tokens. The end result of expanded merchant partners is loyalty program with significant network effects, as more and more merchants and consumers participate.

¹ <http://www.cbc.ca/news/business/air-canada-aeroplan-1.4109868>

² <http://www.cbc.ca/news/business/air-miles-rewards-programs-1.3712132>

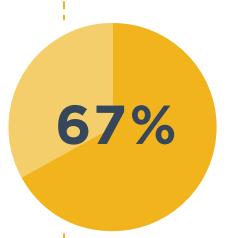
² <http://www.kapitalust.com/starbucks-rewards-gets-diluted/>

<http://time.com/money/4246203/starbucks-new-loyalty-program-hate/>

Background: Loyalty Programs and Domain Industry

LOYALTY PROGRAMS & MARKET SIZE

Loyalty programs in the United States and Canada have evolved to become a critical marketing component of nearly every major brand and merchant.



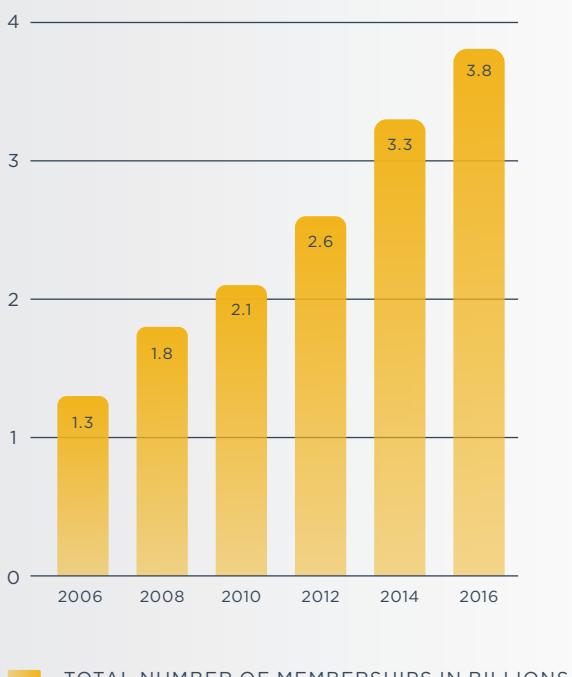
AGREE THAT THEY SHOP MORE FREQUENTLY AND SPEND MORE AT RETAILERS WITH LOYALTY PROGRAMS.

<http://www.nielsen.com/content/dam/nielsenglobal/de/docs/Nielsen%20Global%20Retail%20Loyalty-Sentiment%20Report%20FINAL.pdf>

Examples include airline mileage points like United MileagePlus, credit card rewards like American Express Membership Rewards and merchant programs like Starbucks Rewards. Loyalty programs are widely considered to be one of the most effective tools merchants can use to retain and re-engage existing consumers as well as a way to increase new sales.

A recent industry audit identified 3.8 billion individual loyalty memberships in the United States alone, indicating that the average person in the U.S. belongs to over ten distinct loyalty programs.³ Market studies estimate that U.S. businesses grant customers more than USD 50.0 billion in reward points annually.

NUMBER OF INDIVIDUAL LOYALTY PROGRAM MEMBERSHIPS IN THE U.S.



Data Source: Colloquy Loyalty Census Report

³ Colloquy, "2017 Colloquy Loyalty Census Report," Colloquy, <https://www.colloquy.com/> (accessed July 21, 2017).

WHAT CONSUMERS WANT

PERCEPTION MATTERS MORE THAN MONEY: TOP FIVE PERCEIVED VALUES

1.

THE APPEAL OF REWARDS - having clarity on actions that will earn points and the ability to redeem points for goods and services of value.

2.

THE EASE WITH WHICH REWARDS CAN BE REDEEMED - being able to redeem points for rewards in a user friendly manner and with few to no blackout periods or other exceptions.

3.

THE AMOUNT ACCUMULATED PER \$1 SPENT - receiving high value rewards.

4.

ABILITY TO REACH REWARDS IN A TIMELY MANNER - accumulating earned points to a reward quickly and without unexpected exceptions.

5.

NUMBER OF WAYS BENEFITS CAN BE EARNED - earning points across a breadth of brands, goods and services.

RETAILER COSTS

Developing and monitoring a program, while maintaining and building a coalition, including audits by partners, can add up to a significant portion of a company's operating budget. Doing so allows less to go back into the company to improve the product or to pass cost savings to consumers through lower prices or more high value loyalty rewards.

Customer acquisition costs are a major component of all companies. It can cost up to 500% more to acquire a new customer than keep a current one. Lowering customer churn by 5% can increase profitability by 25% - 125%.

A majority of brands plan to increase their efforts to engage consumers through loyalty programs. The larger companies have more dollars to spend implementing and refining their programs while many smaller businesses struggle to engage with consumers due to limited resources needed to set up and manage an affinity program.

It is beyond the capabilities of many small businesses to create a compelling digital user interface with technical aspects of tracking and auditing points and rewards necessary for the business to maintain and monitor a loyalty program. Consumers expect that a loyalty program meets a high standard of user friendliness -- from registration, to ease of receiving and using points, to content of rewards -- that is simply inaccessible to many businesses outside of the ranks of the largest competitors.

EMERGING LOYALTY PROGRAM MODELS

Loyalty programs that veer from the traditional model have developed to take advantage of consumer preferences not met by the traditional programs. These categories include online-only programs, daily deals, point aggregators, credit card-linked offers, coalition loyalty, and branded cash.

The emerging categories are brand's attempts to innovate within a closed loop system. Customers want flexibility on how they use their points. There is a market opening for an "open loop" loyalty system. A public blockchain-based loyalty token that enables the decentralized creation of a coalition is an appropriate technology to meet this market need.

THE BOTTOM LINE:

Customers want flexibility, ease of use, predictability, recognition, and value for their rewards programs.

Background: Domain Industry and Digital Products

INTERNET DOMAIN INDUSTRY

Internet domains and their related services, such as hosting, email storage, and SSL certificates, are a fertile ground for innovation in loyalty programs. It is appropriate and perhaps symbolic that we have chosen to focus on the domain name industry as our first vertical market in which to develop a DLNS. The networks that create the domain ecosystem were not always cross-functional. Domains and their associated products function interoperably due to a structure invented in the 70's by Vinton G Cerf and Bob Kahn, whereby the network protocols were hidden but allowed the different networks to operate together as one.⁴ Thus, the domain industry was born and continues to expand.

The domain industry is part free market and part government regulation. This hybrid model has created a system that functions technically but often the business and commercial aspects have become siloed and arcane. Most of the business structures that affect consumers are based on legacy policy issues that no longer apply. An artificial structure was imposed to protect the customer, which prevented the manufacturer (Registry) from dealing with the end customer (Registrant) and forced the sale to go through an intermediary or retailer (Registrar).

This artificial structure permeates through all aspects of the sales process today. As a result the market is extremely fragmented and therefore inefficient and full of friction. There are few if any loyalty programs within the domain

industry aimed specifically at the customer. For example, GoDaddy, the largest of the online registrars has a "rebate dollar" system aimed at resellers and professionals but not the basic consumer.

Domain registrars typically have not had to offer extensive loyalty programs because of the traditional difficulty of transferring a domain name to a competing registrar. Essentially, once a customer registered a domain name, there was a high likelihood that the customer would not switch to a competitive merchant. More recently with the introduction of a wide range of new domain name options and an increasingly competitive market, a renewal no longer means that a consumer will stay with the original point of sale provider.

The industry is in need of a loyalty program to both expand existing customer sales and to create new ones for business to consumers. Business to business can also benefit by operating within a loyalty network. Loyalty tokens can be awarded and accepted by different providers for immediate marketing programs without complex back-end technical or sales and marketing programs.

Since this market is fragmented and in need of growth, a loyalty program is ripe for development.

⁴ <http://www.computerhistory.org/internethistory/1970s/>

MARKET SIZE

According to data provided by Verisign, in the first quarter of 2017, approximately 330.6 million domain name registrations existed across all top-level domains (TLDs).⁵ This is an increase of roughly 1.3 million domain name registrations (0.4%) when compared to the fourth quarter of 2016, and 11.8 Million (3.7%) from year to year.

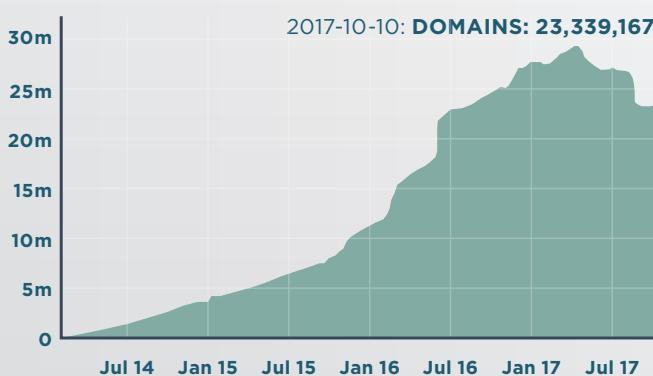
Approximately one third (\$128.4M) of these are .com domains, but the dominance of .com is on a significant decline. According to the Telegraph, .com "will no longer be the dominant web address ending" by the year 2020.⁶ Canonical gTLDs, including .com but also .cn, .net, and .org, appear to be losing steam to a collection of new gTLDs, which accounted for 7.7 percent of all domain name registrations -- a total of 25.4 million domain name registrations as of March 31, 2017.⁷ The new gTLD space

represents a 145.4% year over year growth rate versus the slowed growth pace of .com at 2.2% per year.⁸

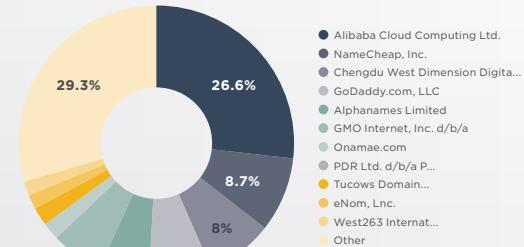
The growth of new gTLDs and their associated services (such as cloud hosting, enterprise email, SSL certificates and interconnected software products) creates opportunities to incorporate loyalty programs beneficial to merchants and consumers. This new landscape has created a new host of competitors vying for customer loyalty. Customers need repeat services such as hosting and web apps. Many of these services are not directly integrated in the original sales path and therefore could benefit by a cross-vendor loyalty network for both B2C and B2B. New customer acquisition is a critical marketing cost, as is retention. Loyalty, and more specifically a loyalty network, could help improve the entire customer experience at all stages in the digital goods purchase path.

NEW GTLD DOMAINS

2017-10-10: DOMAINS: 23,339,167



REGISTRAR MARKET SHARE



⁵ Verisign, "The Verisign Domain Name Industry Brief," Verisign, https://www.verisign.com/en_US/domain-names/dnib/index.xhtml (accessed July 22, 2017).

⁶ Sophie Curtis, "Dot-com 'to lose dominance' by 2020," The Telegraph, <http://www.telegraph.co.uk/technology/internet/10914379/Dot-com-to-lose-dominance-by-2020.html>

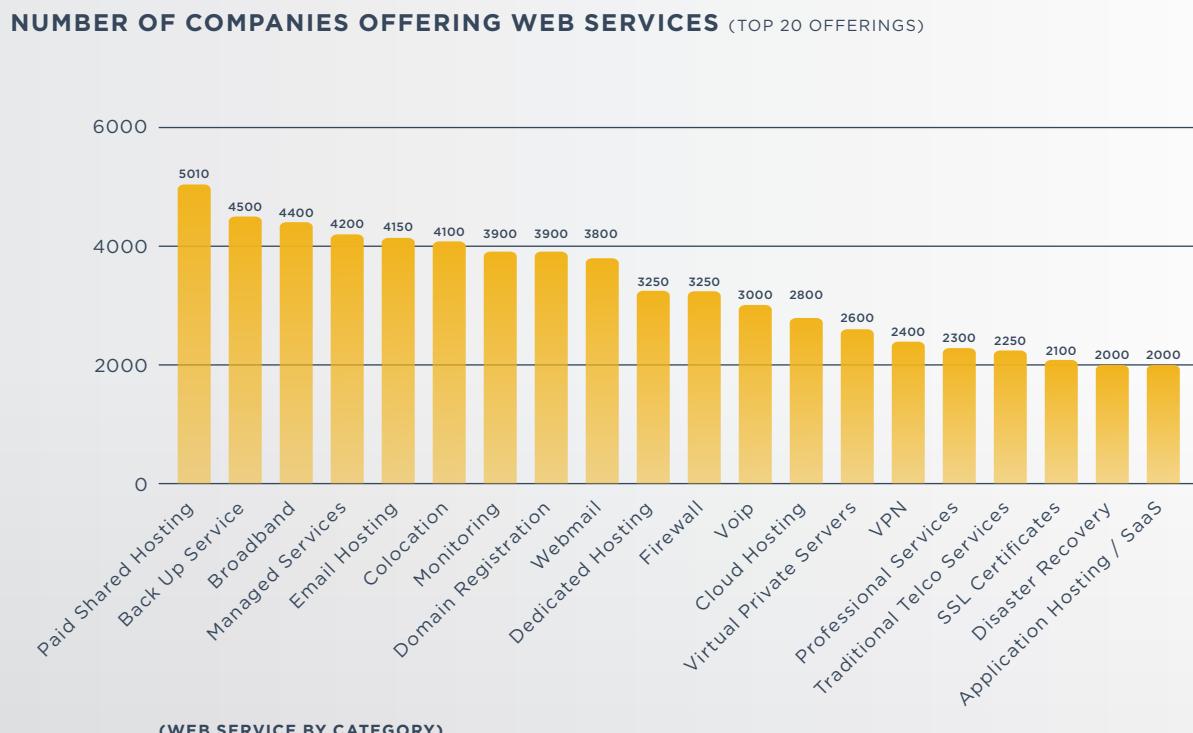
⁷ Centralized Zone Data Service, Q1 2017 and Zooknic, Q1 in Verisign, "The Verisign Domain Name Industry Brief."

⁸ <http://www.thedna.org/domain-name-stats/>

GLOBAL GOODS AND SERVICES

The global market for web-hosting services is projected to reach USD 143.8 billion by 2020. Web hosting services are often categorized into three main types; Software as a Service (SaaS), Platform as a Service (PaaS) and, Infrastructure as a Service (IaaS). Specific services offered in conjunction with domain names is constantly growing.

The graph below illustrates the number of companies selling web services by the top 20 product types.



source: Netcraft.com

BLOCKCHAIN

Topcoin tokens function as a Distributed Loyalty Network System (DLNS). Rewards tokens are well suited to be applied to a blockchain to enable interoperability across a multi-party network, increasing security & transparency, while lowering transaction costs. By distributing the network, vendors can be assured of safety and fairness while adopting an open structured system.

A public blockchain-based loyalty ecosystem can alleviate many issues endemic to traditional loyalty programs. It allows companies with limited operating budgets to overcome financial and manpower hurdles to providing loyalty rewards. This facilitation has the potential to improve the user experience for both consumers and merchants and inspire loyalty throughout the ecosystem.

A public blockchain provides an environment in which consumers enjoy transparency and security, merchants have far lower costs, and all sides benefit from network effects of increasingly larger participants. Many merchants that traditionally found the costs of establishing a reward program to be prohibitive will not only be able to participate in a loyalty ecosystem, based on the blockchain, but do so in a model meeting consumer expectations around ease of use and access to high value rewards across brands, goods, and services.

DLNS also eliminates an advantage that traditional loyalty programs such as United MileagePlus or American Express Membership Rewards have - that large corporations stand behind them. With DLNS, any concern that smaller merchants will not honor rewards or have enough touch points with consumers is eliminated due to the decentralized nature of the system. The blockchain allows the "little guys" to overcome any competitive hurdles through aggregation of participants in an environment with built-in mechanisms for conducting trusted transactions. A loyalty token that establishes credibility in a blockchain-based ecosystem is a key component not only to connecting participants but to inspiring confidence in the durability and value of the loyalty system.

Benefits of Loyalty on the Blockchain



LOWER COSTS

The blockchain allows for loyalty coalitions to form without the immense costs associated with an individual merchant having to internally manage and maintain a loyalty program or participate in a coalition. Developing and monitoring a program, while maintaining and building a coalition (many of which include audits by partners), can add up to a significant portion of a company's marketing budget. This use of funds leaves less for reinvestment into the company to improve the product or to pass cost savings to consumers through lower prices or more high value loyalty rewards. A blockchain-based loyalty ecosystem lowers costs by providing the infrastructure for a rewards program outside of the

individual merchant. All the merchant has to do to participate is to maintain a wallet for receipt and delivery of tokens and code smart contracts that accept or distribute tokens when certain conditions are met. The costs of participation in a blockchain-based program are far lower than those of creating and maintaining a traditional program, or even participating in a traditional coalition. This is particularly true in the domain industry and for other digital goods and service providers that are accustomed to operating in a virtual environment and most likely have engineers on staff that can implement the technology needed for participation in the loyalty ecosystem.



USER-FRIENDLY TECHNOLOGY

The first generation of Topcoin.com showed that ease of use of technology is a key to user adoption. Original token holders set up their accounts in one of two ways, either directly on Topcoin.com or at Uniregistry. The Topcoin account is an online account without special downloading or complex wallet requirements. The Uniregistry customer experience is a seamless

process in their cart. Both UI/UX experiences were free of the typical friction associated with crypto wallets, which are usually hard to implement for sellers and buyers. User adoption naturally grew to over 15,000 individual holders of Topcoin through organic growth. This simplified wallet approach will be key to scaling Topcoin across the domain industry.



EASE OF FORMING A COALITION

Because traditional loyalty programs are centralized, forming loyalty coalitions comes at substantial costs. Coalitions are always at risk of change through partner's compliance, participation and varying degrees of inflation. Topcoin's DLNS eliminates the friction of developing an ever-larger network of

participating merchants, and any inflationary risk is reduced because new merchants can step in to accept and award Topcoin Tokens as they see fit.



CONSUMER CONTROL OVER DATA

Topcoin's loyalty program will allow customers more control of how they decide to use their rewards. The customer data is not centrally located in any one vendor's system which makes

it less vulnerable to breach. This has an added benefit for the vendor as well, as they are no longer responsible for the protection of customer data.



TRANSPARENCY

Smart contract functionality plays a significant role in the ability of a blockchain to operate as promised. Smart contract functionality allows the creation of decentralized applications or dApps. Once uploaded to the blockchain, a dApp is stored immutably and runs when the required conditions are met. While individual vendors set the terms of their own rewards, the customer can rest

assured that the Topcoin token as a whole will function as promised throughout the network. Topcoin holders can access the public ledger to view transactions with their token addresses and dApps by merchants who accept the token. If Topcoin holders prefer to transfer their tokens from their online account to the blockchain for longer term storage, they are free to do so.



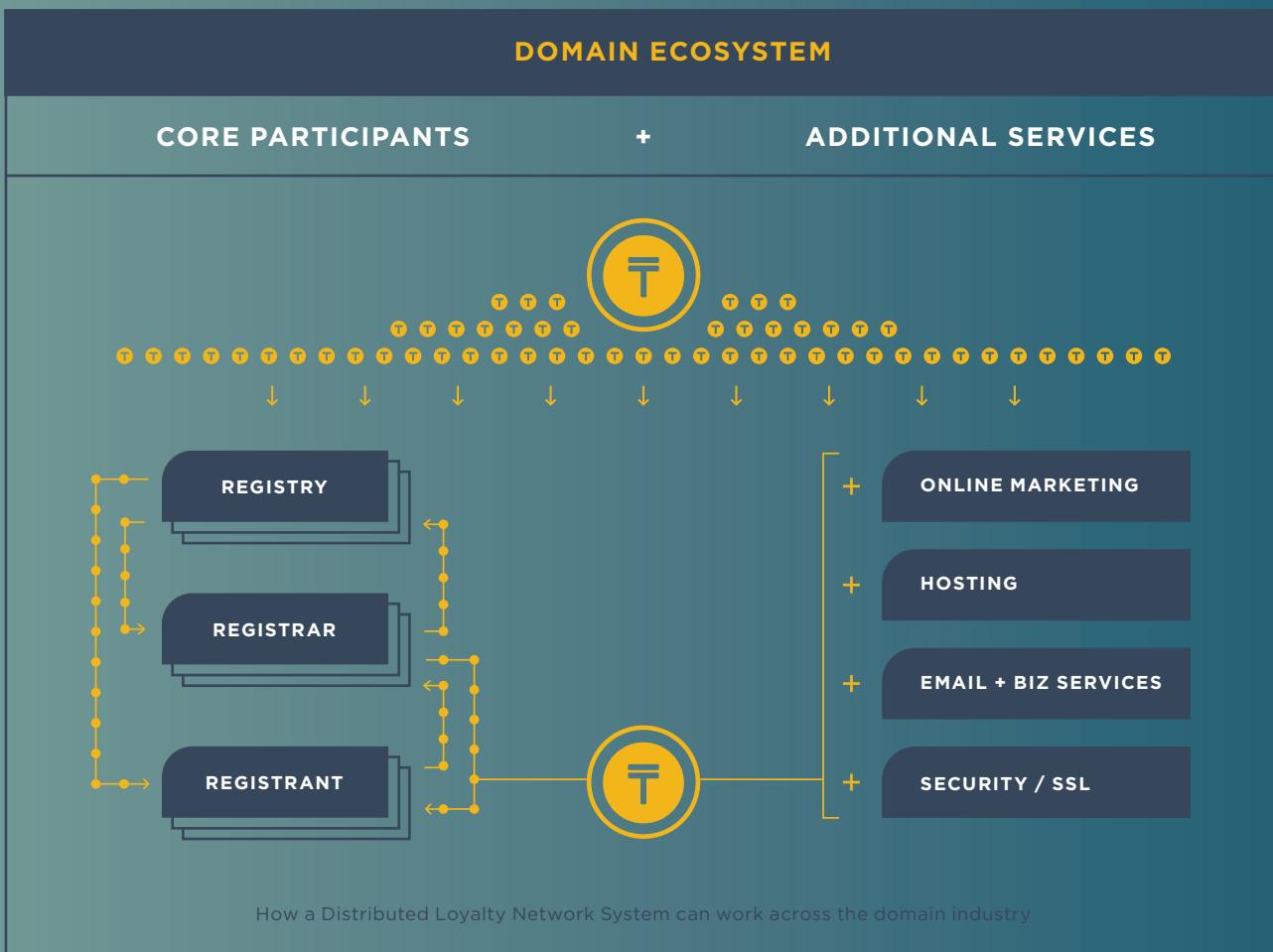
AUTOMATION

Out of the blockchain protocols that currently exist, we selected Ethereum for several key reasons. Ethereum's smart contract functionality and popularity have become the standard in creating tokens. Ethereum-supported smart contracts can specify the terms of transactions executed with an ecosystem. For example,

a merchant could program smart contracts that only enable a certain number of tokens to be sent to a consumer following the occurrence of a particular event. Smart contract functionality would allow a registrar automatically to allocate tokens in the event that a domain or related good is purchased.

PRODUCT: THE TOPCOIN SOLUTION

The Ethereum-based Topcoin ecosystem will provide a cutting-edge environment for digital goods loyalty programs and an effective solution to the current problems facing traditional siloed loyalty programs.



PRODUCT DESCRIPTION: The TPC token ecosystem

Meeting consumer expectations and inspiring loyalty

CONSUMER PERSPECTIVE (REGISTRANT)

User friendly technology: our focus is to create a simple user centric account / wallet where the user can accumulate and spend their Topcoin rewards across the domain ecosystem. Customers will have access to a breadth of brands, goods, and services for earning and redeeming points.

Topcoin can be used across different partnered companies, and for a wider array of domain and domain-related services (e.g. web hosting, email, storage, SSL certificates etc). Wallet holders will find greater flexibility and choice associated with Topcoin.

Speed of accumulation of points: Customers earn Topcoin with each purchase. A registrar rewards a customer up to 50% of the value of an initial domain purchase in the form of Topcoin. This is deposited directly into the customer's Topcoin account / wallet.

Ease of redemption of points: it is straightforward for a customer to use their points. At the next point of sale they can automatically apply Topcoin toward their next domain or web-service purchase.

Ease of point management: Since the tokens are transacted through Topcoin and not a closed loop system, a customer's Topcoin balance is reflected across the domain ecosystem.

Lowering merchant costs and expanding reach of loyalty program

BENEFITS TO WHOLESALER (REGISTRY) & RETAILER (REGISTRAR)

Topcoin is completely free for registries and registrar to adopt. This is of particular benefit to companies who currently depend on third-party sources to host their loyalty programs. With Topcoin, there are no fees or commissions.

SOME KEY BENEFITS TO COMPANIES USING TOPCOIN:

- 1. Facilitates loyalty coalitions**
- 2. Reduces costs of new customer acquisition**
- 3. Allows small businesses to form coalitions and compete with the entrenched larger players**
- 4. Retailers don't have to maintain customer records and coordinate with coalition partners, allow partner audits, etc.**

Company: Development, Promotion and Oversight

Operations of the Topcoin Ltd. (the Company) will include product and ecosystem development, promotion and oversight. The Company is a Cayman Islands exempted company incorporated under the Companies Law and will hold the code and the Token inventory reserved by the Company.

Initial promotion efforts have been focused, and will continue to be focused post Token Distribution Event, in the domain name and digital goods space. The Topcoin team is comprised of many of the top leaders in the domain name industry, with management expertise founding and running the top companies in the industry. This experience informs the team's ability to build out an ecosystem attractive to both merchants and consumers in the space. The Company plans to expand to other digital goods and services once critical mass is reached in the domain industry.

Our team will focus on the development of partnerships, functionality, and verticals, as well as market the ecosystem to consumers.

ROADMAP



PRODUCT DEVELOPMENT AND PROMOTION

PARTNERSHIPS AND CONTRACTS

Topcoin has established and is expanding partnerships with domain registries, registrars, resellers and other web service providers to participate in the Topcoin digital loyalty ecosystem. To date we have successfully agreed to numerous partnerships and we will be announcing ongoing updates at: <https://partners.topcoin.network>.

The Uniregistry partnership, in particular, serves as an example of how a registrar can integrate the token process by allowing customers to access their Topcoins directly from the registrar's website. As of September 2017, Uniregistry has accepted approximately 15,000,000 Topcoins as partial payment for domain names. Uniregistry redistributes Topcoins to customers as loyalty points for purchases.

Topcoin intends to expand its partner network, using the

Uniregistry partnership as a model. The Company will work with partners to integrate the Topcoin wallet into partner sites and build smart contracts for the acceptance and redemption of Topcoins.

As discussed in the "allocation" section, we will use up to one billion tokens for program and partnership expansion, helping to build the market for the Topcoin loyalty ecosystem. We plan to distribute Topcoins to partners for use as loyalty points to customers when eligible products or services are purchased. Each partner would then determine what rewards they will offer for redeeming Topcoins. An example of the flow of tokens is shown in **Figure 1**.

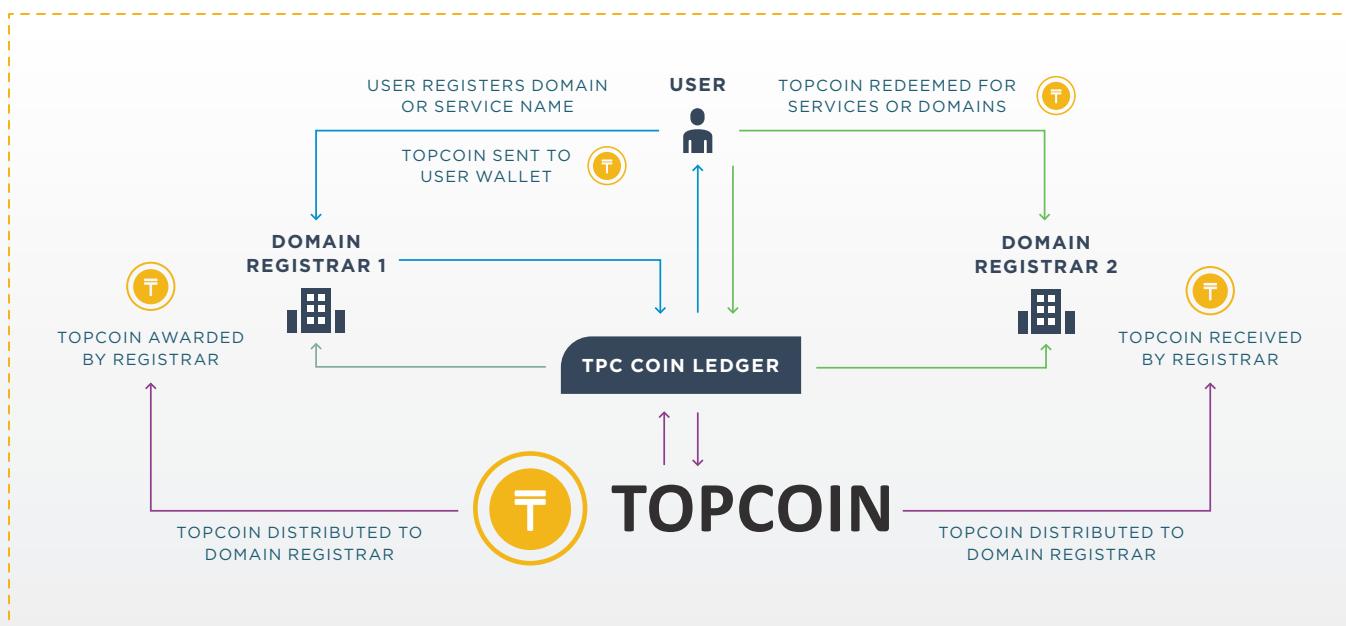


Figure 1. A depiction of how Topcoin tokens flow from the supply reserves to the partners and onto customers, and vice versa.

OVERSIGHT: SECURITY, GOVERNANCE, TRUST

Topcoin will operate the Topcoin Policy Board (TPB) to oversee the fair and productive growth of the Topcoin ecosystem. The TPB will administer the Topcoin supply through partners and oversee development initiatives. It will also provide support and tools for digital services to operate more easily within the ecosystem. The TPB will be the ecosystem's champion and will promote Topcoin.

The TPB will facilitate the ecosystem's transition to a decentralized and autonomous network. The promise of a decentralized strategy is a transition from a competitive model to a cooperative one, where all participants benefit from their collective success.

As part of this transition, Topcoin will incrementally transition to open source for the majority of its currently proprietary code-base. Eventually, governance will become open to other ecosystem partners. The TPB will support them in on-boarding Topcoin and developing or augmenting digital services with integrated transaction economies. It will also oversee development of important fundamental components shared across the entire ecosystem, such as identity and reputation management, token wallets, and compliance solutions.

SECURITY POLICY

WALLET SECURITY

We intend to adhere to industry best practices regarding wallet security for Topcoin wallets to protect the integrity of the tokens. This involves several precautions. The first is maintaining a direct relationship with wallet holders by providing a customer support service to address concerns regarding lost tokens or wallet access information, e.g. user names and passwords. We will also provide two factor authentication and multi-sig wallet functionality.

OPEN BLOCKCHAIN

Topcoin will maintain an open blockchain. That is, we will provide individuals with the ability to view transactions to and from their Topcoin wallets as they appear on the blockchain. By being able to trace the origin and destination of each token received or sent from an individual's Topcoin wallet, incidences of theft can be more effectively determined and addressed.

Token balances owned by partners and the Company will be held under multi-sig wallets in order to mitigate the theft of funds dedicated to the operations and expansion of our the ecosystem.

Token Distribution Event: TDE

We reserve the right, in our sole discretion, to modify any of the procedures described herein to account for network congestion or other technical challenges.

THE TDE

Topcoin will sell up to 50,000,000 (Fifty Million) Tokens. We will begin our TDE with Merchant on-boarding in December of 2017 and run the phases listed below through Q1 2018.

PHASE 1: MERCHANT ON-BOARDING

We will begin our early on-boarding event that will start six weeks prior to the general token sale (phase 3). Early bird access will be offered to Merchants in the domain industry. The merchant on-boarding will be limited to the sale of 10,000,000 tokens.

PHASE 2: CURRENT TOKEN HOLDER CONVERSION ROUND

The Phase 2 Token Distribution Event will begin at the close of Phase 1 and continue the earlier of the sale of 20,000,000 tokens or three weeks. Existing Topcoin holders can convert their existing Topcoin at a 2:1 ratio of new Tokens to old Tokens. Users will also be able to buy additional tokens after they convert for USD 0.10 per Token with a limit of 1,000,000 Tokens per user.

PHASE 3: TDE GENERAL AVAILABILITY

The Phase 3 Token Distribution Event will begin at the close of Phase 2. We will sell up to 20,000,000 Tokens in phase 3 to members of the Topcoin ecosystem who did not register during the prior phase. The Tokens in the GA round will sell at USD 0.10 per token until sold out.

The Ethereum-based Topcoin will be created via a standard ERC223 contract. This smart contract has been audited by independent IT security specialists and the code will be posted in advance of the TDE. The full code of the contract and will be released under a free software license which will be available on our github repository.

Topcoin has retained King & Spalding LLP to advise the Company on certain legal matters. To get the latest updates and further legal information, please visit our dedicated page at <https://sale.topcoin.network>. If you purchase Tokens in our TDE you must agree to be bound by our Terms and Conditions of our sale.

TDE PHASES**PHASE 1: MERCHANT ON-BOARDING**

10,000,000 Tokens priced at \$.10 each.
Minimum purchase 10,000 tokens.

**PHASE 2: TPC CONVERSION & PURCHASE**

20,000,000 Tokens priced at \$.10 each.
Minimum purchase 1,000 tokens.
Existing Tokens convert 2:1 new to old tokens.

**PHASE 3: TDE & GENERAL SALE**

20,000,000 Tokens.
Minimum purchase 1,000 tokens.
Tokens priced at \$.10 each.

PRICING AND PAYMENT

The purchase price for tokens sold in the Token Distribution Event will begin at USD \$0.10 per token and adjust in phases. Tokens must be purchased in Bitcoin or Ether, but not a combination of both. Purchasers will login into the TDE portal and choose a payment currency and purchase amount, at which time the TDE portal will display the exchange rate that will be applied to that specific purchase. The exchange rate will be the exchange rate between USD and your selected payment currency (Bitcoin or Ether) as sourced by the Company from cryptocompare.com within approximately one (1) hour prior to the time of the purchase request. The purchase amount must be received by Topcoin within six hours of the time of receipt of the payment instructions, or Topcoin will have the right to void the purchase request.

DELIVERY OF TOKENS

Tokens will only be delivered to token receipt addresses associated with a Topcoin wallet or an Ethereum wallet that supports the ERC-223 token standard. We reserve the right to prescribe additional guidance regarding specific wallet requirements.

The Company will deliver the quantity of tokens purchased by the later of (i) three weeks after the TDE end date (with the company reserving the right to extend the token delivery deadline if necessary to address any unanticipated technical difficulties). Receipt of tokens is conditioned, among other things, on KYC and AML verifications.

MIGRATION OF FIRST-GENERATION TOPCOINS AND TOPCOIN WALLETS TO ETHEREUM

First-generation Topcoins will be migrated from Counterparty to the Ethereum platform via a web portal. Existing Topcoin Counterparty tokens will convert on a 2:1 ratio of new Ethereum-based Tokens to old Topcoin.

Holders of original Topcoins, once registered will be able to connect their old topcoin account to their new profile. Their balance of old tokens will transfer once the accounts are connected. At the conversion stage their balance will double indicating the 2:1 conversion is complete. The new token will be held in an Ethereum address and the original Counterparty Tokens will be burned.

If a holder has an existing Topcoin account they will be allowed to convert to the new Topcoin Token during the TDE and for a period afterwards. To minimize risk, the Company will migrate its token holdings via a separate mechanism. Rather than being issued via the smart contract, the tokens will be verifiably burned and the total converted will be written directly into the Ethereum blockchain.

KYC AND ANTI-MONEY LAUNDERING:

Topcoin intends to use a leading third party provider(s) to provide KYC and AML services for participants from within the United States. Foreign participants will be verified through an additional AML service during our audit period at the close of the TDE and prior to the Token Distribution.

ALLOCATION OF TOPCOIN AND SIZE OF TDE

A total supply of three billion Topcoin tokens (TPC) will be created for the Ethereum-based version of the token. The Topcoin token will be ERC223 compliant and the total number will be fixed at three billion.

TDE TOKENS

50,000,000 tokens are for sale in the TDE. Any of these tokens not sold in the TDE will become part of the reserve discussed below and may be sold in a future distribution event.

ECOSYSTEM INCENTIVE TOKENS

One third (or one billion) tokens will be used to incentivize use of the Topcoin ecosystem. For instance, through distribution to participating partners for use in the loyalty ecosystem or in nominal amounts to users to encourage user adoption and interaction with the token. The Topcoin available for incentivization purposes will be used strategically to help ecosystem partners acquire users and bring partners to the ecosystem.

RESERVE TOKENS - COMPANY

The remainder of the token supply (or 700 million) tokens will be held in reserve by the Company. The reserve tokens will be locked and released according to a preset schedule set with smart contracts. The tokens will be locked for one year and thereafter unlocked and distributed to Topcoin at the rate of ten percent per quarter over the following ten quarters.

The reserve tokens will be used strategically to grow the Topcoin ecosystem and fund the operations. The reserve allocation will be used for administration of the Topcoin token supply, operational, legal and development costs.

TOPCOIN TOKEN DISTRIBUTION

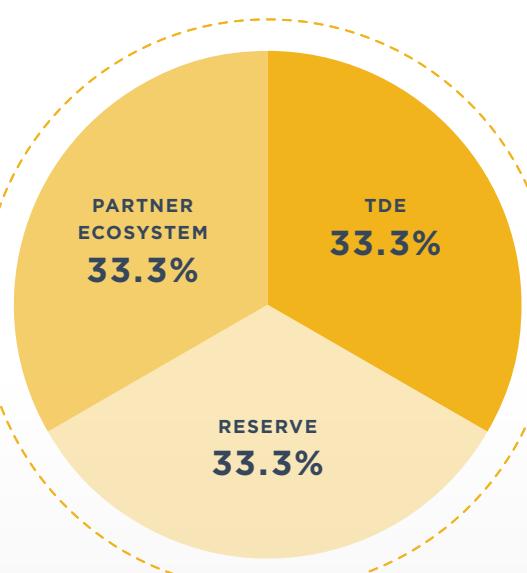


Figure 2. The projected distribution of TPC supply.

USE OF NET REVENUE

We will use the net revenue to the Company from the sale of Topcoin tokens in the TDE to expand operations and improve and develop the Topcoin ecosystem.

The revenue we receive from the TDE will be used to compensate engineers, staff and contractors, to cover operating costs and marketing expenses and to address other administrative and unforeseen costs.

Figure 3 is an estimated, illustrative allocation of our budget items, which we reserve the right to modify in our sole and absolute discretion.

EXPENSE OVERVIEW

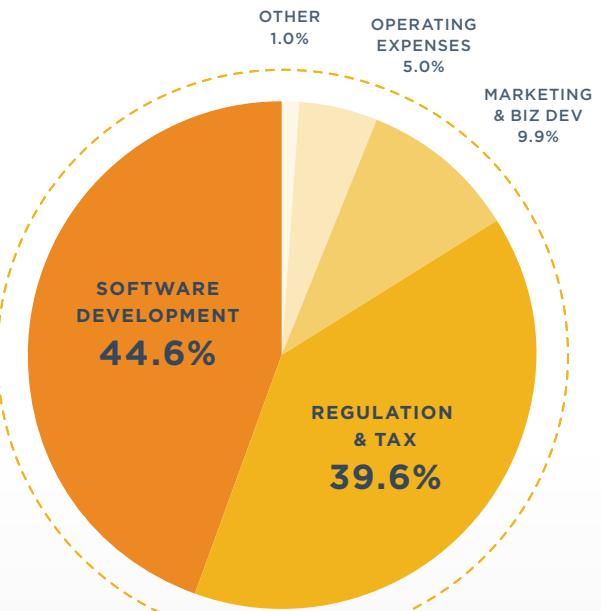


Figure 3. The allocation of net revenue from the TDE to expenses for the development of Topcoin and its ecosystem.

TECHNICAL DEVELOPMENT AND STAFF

We intend to hire an additional team of engineers to develop tools for the ecosystem and make necessary adjustments to the development of related technology. More specifically, our engineering team currently intends to focus on the following:

- facilitate the formation of loyalty coalitions and function across networks
- build Topcoin wallet functionality
- integrate the Topcoin wallet with partner websites
- encourage migration of all user transactions to the Topcoin wallet
- encourage fully distributed transfer and verification process
- add alternate functionality based on partner feedback, and facilitate development of decentralized audit trail based on such metrics
- encourage and coordinate with partners in building new applications (dapps) for the platform
- explore and build other value-added services and functionalities for the ecosystem.

BUSINESS DEVELOPMENT AND MARKETING

This budget item will be used for business development efforts to bring partners into the network and marketing to expand awareness and adoption of the Topcoin platform, including the Topcoin wallet among users and merchants. It will also be used for broader development, growth and maintenance of the Topcoin community.

Colloquy, "2017 Colloquy Loyalty Census Report"

THE TEAM

OPERATIONS TEAM

Our day-to-day operations team consists of individuals with extensive backgrounds in a wide array of areas essential to Topcoin's further development. Members of the Topcoin team include:



GEORGE MINARDOS
CEO



JOSH METNICK
Chief Technology Officer



ALVEN DIAZ
Engineering & UI/UX



STEVE PETERSON
Business Development



THOMAS BRACKEY
Token Legal Dude



RYAN CHIU
Engineering & UI/UX



VUJADIN MILINOVICH
Accounting



JOONMO LEE
Business Development

THE TEAM

FOUNDERS AND ADVISORY TEAM

Topcoin's founders, Michael Blend and Josh Jones have dedicated decades of their lives to Internet industries. Michael is the co-founder and president of System1, formerly known as OpenMail, and has started and led multiple companies throughout his career that have achieved over \$1B+ valuations. Previously Michael was President / COO of Demand Media (NYSE: DMD), where he helped take the company public and oversaw eName, the second largest domain name registrar in the world. Josh is a leading open source software and alternative currency technologist. In addition to Topcoin, Josh is the founder of Bitcoin Builder, which offers a full-stack solution to alternative currency transactions. Previously, Josh was a board member of Inktank until its acquisition by RedHat. Prior to that, he was Co-Founder and Interim CEO of DreamHost, one of the leading web hosting companies on the planet.



MATTHEW ROSZAK

Chairman, Bloq



MICHAEL BLEND

Founder, Topcoin.com



FRANK SCHILLING

CEO, Uniregistry



TARYN NAIDU

Past CEO of Rightside



JOSH JONES

Founder, Topcoin.com



EYTAN ELBAZ

Founder, Render Media

PARTNERSHIPS

Topcoin's has partnered with industry leaders within the Internet Domain Industry. Please see <https://topcoin.network/partners> for an updated list.

Registrars

- Uniregistry
- Porkbun

Web Services

- .ChunkHost
- Fortifi
- My PT Hub
- Protected
- Total AV

Registries

- .Auto
- .Audio
- .Blackfriday
- .Build
- .Buzz
- .Car
- .Cars
- .Club
- .Christmas
- .Click

Registries

- .Design
- .Diet
- .Flowers
- .Game
- .Gift
- .Guitars
- .Help
- .HipHop
- .hiv
- .Hosting

Registries

- .Juegos
- .Link
- .Lol
- .Mom
- .Photo
- .Pics
- .Guitars
- .Property
- .Sexy
- .Tattoo

CONCLUSION

"It could get started in a narrow niche like reward points, donation tokens, currency for a game or micropayments for adult sites."

Satoshi Nakamoto January 16th 2009

Blockchain and loyalty as a distributed platform (BaaP) will emerge as the dominant solution for loyalty programs across all industries. Recently American Express joined Hyperledger to create loyalty points on a blockchain.⁹ We feel this is an affirmation of the Topcoin loyalty network. In fact it confirms our plans that loyalty and blockchain are well suited technologies. However a single company cannot achieve the full power of the network. The true value of Blockchain is that it allows interoperability across networks.

Past loyalty programs attempted to create a network effect by creating coalitions. Topcoin's vision has been one of a neutral network from the beginning, allowing any company to create a trusted loyalty program that can operate with others.

A loyalty program is a perfect fit for a distributed ledger. Once combined with smart contracts the future options are limitless. Topcoin will first create a loyalty network for the Domain Industry and then add value operations through Smart Contracts. Such solutions may include domain escrow services, cross vendor services and customer value adding programs.

Once we develop and learn from the domain vertical we plan to expand to other vertical markets both virtual and brick and mortar. We appreciate your early support and look forward to building a new type loyalty community in this next great expansion of the Internet.



Sincerely,
George Minardos
CEO, Topcoin

⁹ <https://www.coindesk.com/american-express-eyes-blockchain-customer-rewards-systems/>

REFERENCES AND PRESS

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TOPCOIN TDE SALE AND SPECIFICATIONS LINKS:

TDE Whitepaper - <https://topcoin.network/Whitepaper.pdf>

TDE Specifications - <https://topcoin.network/TDEspecs>

Terms of Use Link- <https://topcoin.network/termsofuse>

FAQ - <https://topcoin.network/faq>/ **Github Repository** - <http://Topcoin.build>

Privacy- <https://topcoin.network/Privacy>