



ICO

Initial Coin Offering

ICOs and what I learned from a Bitcoin Millionaire

- Tobias Schulz

Key Facts HTGF

Founded

2005

Volume Fund III

€300 million

Total Volume Fund I-III

AUM ca. €900 million

Investors



Investment Manager at High-Tech Gründerfonds

Investment Area:

Blockchain, Software, AI



The Bitcoin Distribution

Bitcoin verteilung					
Balance	Adressen	% Adressen (Summe)	Coins	\$USD	% Coins (Summe)
0 - 0.001	12850712	57.35% (100%)	2,318 BTC	15,411,819 USD	0.01% (100%)
0.001 - 0.01	4165260	18.59% (42.65%)	16,684 BTC	110,948,668 USD	0.1% (99.99%)
0.01 - 0.1	3281523	14.65% (24.06%)	102,770 BTC	683,410,693 USD	0.62% (99.89%)
0.1 - 1	1444288	6.45% (9.41%)	468,671 BTC	3,116,620,514 USD	2.81% (99.27%)
1 - 10	513356	2.29% (2.97%)	1,392,293 BTC	9,258,626,878 USD	8.35% (96.46%)
10 - 100	133787	0.6% (0.68%)	4,417,592 BTC	29,376,595,546 USD	26.49% (88.11%)
100 - 1,000	16298	0.07% (0.08%)	3,799,298 BTC	25,264,996,257 USD	22.79% (61.61%)
1,000 - 10,000	1600	0.01% (0.01%)	3,453,201 BTC	22,963,481,867 USD	20.71% (38.83%)
10,000 - 100,000	112	0% (0%)	2,722,629 BTC	18,105,240,591 USD	16.33% (18.12%)
100,000 - 1,000,000	2	0% (0%)	298,456 BTC	1,984,703,182 USD	1.79% (1.79%)

Nov13 2017

Adressen reicher als						
1 USD	100 USD	1,000 USD	10,000 USD	100,000 USD	1,000,000 USD	10,000,000 USD
14,070,539	4,254,791	1,708,025	457,816	114,695	10,023	975

- About 11,000 Bitcoin millionaire Wallets
- Unknown how many Bitcoins are owned by Satoshi Nakamoto (7,200 Bitcoins over 144 Wallets were created on the first day of Bitcoin alone)

The largest Bitcoin Wallets

	Adresse	Balance $\Delta 1w$	% of coins	Erste Eingangs	Letzte Eingangs
1	3D2oetdNuZuQHPJmcMDDHYoqkyNVsFk9r wallet: Bitfinex-coldwallet	187,253 BTC (\$1,245,212,924 USD) +36845 BTC	1.12%	2017-01-05 13:34:15	2017-11-13 13:06:08
2	16rCmCmbuWDhPjWTrpQGau3UEPdZF7MTdUk	109,203 BTC (\$726,190,376 USD) +0.00683 BTC	0.6553%	2016-02-27 19:00:09	2017-11-08 21:13:53
3	3Nxwenay9Z8Lc9JBIywExpnEFiLp6Afp8v	89,348 BTC (\$594,158,493 USD)	0.5362%	2015-10-16 16:43:06	2017-11-10 10:22:50
4	1FeexV6bAHb8ybZjqQMjJrcCrHGw9sb6uF	79,957 BTC (\$531,708,086 USD)	0.4798%	2011-03-01 11:26:19	2017-10-25 16:04:14
5	18mfoQgGo1HqvVQaAN4QnxjYE7Sez9eca wallet: 29043297	76,000 BTC (\$505,393,305 USD) -5000 BTC	0.4561%	2014-10-24 12:40:08	2017-10-24 02:48:16
6	1HQ3Go3ggs8pFnXuHVHRytPCq5fGG8Hbhx	69,370 BTC (\$461,305,093 USD)	0.4163%	2013-04-09 23:03:36	2017-10-26 04:07:17
7	1PnMfRF2enSZnR6JSexxBHuQnxG8Vo5FVK	66,452 BTC (\$441,900,378 USD)	0.3988%	2013-11-22 20:06:31	2017-10-20 02:53:10
8	1AhtJUMztCihTyA4K6E3QEobjWLwKhkR	66,379 BTC (\$441,413,228 USD)	0.3983%	2014-02-25 06:33:06	2017-10-20 02:53:10
9	1DiHDQMPFu4p84rLn6Majj2LCZZRQUaa	66,236 BTC (\$440,462,388 USD)	0.3975%	2013-11-23 01:08:37	2017-10-20 02:53:10
10	1EBHA1ckUWzNKN7BMfDwGTx6GKEbADUozX	66,234 BTC (\$440,448,641 USD)	0.3974%	2013-11-22 18:05:19	2017-10-20 02:53:10
11	1LdRcdxfbSnmCYYNdeYpUnztiYzVfBEQeC	53,880 BTC (\$358,297,628 USD)	0.3233%	2014-05-28 00:49:42	2017-10-20 02:53:10
12	1JCe8z4jVNXSjohjM4i9Hh813dLCNx2Sy	53,000 BTC (\$352,445,371 USD)	0.3180%	2016-08-23 10:09:04	2017-11-05 16:29:36
13	1EfBMK9q6rGFZazeF7jyNdTgqGYgcDgRE5 wallet: 30062604	47,307 BTC (\$314,589,853 USD)	0.2839%	2016-03-25 18:28:31	2017-10-20 02:53:10
14	3R1hBCHURkquAUFuv1eH5u2gXqooJkjg4B	44,899 BTC (\$298,577,291 USD)	0.2694%	2015-11-16 15:19:03	2017-10-28 09:04:24
15	1MuYkciQTfRsU94ReAe5MiAfUpCrbLBcFR	44,864 BTC (\$298,344,468 USD)	0.2692%	2013-02-25 19:08:18	2017-10-20 02:53:10
16	1CiAzyf5JfXDum28oBNxt3TMsTi1EW7CLZ	44,010 BTC (\$292,662,713 USD)	0.2641%	2017-09-25 05:54:25	2017-10-15 15:50:31
17	336xGpGweq1wtY4kRTuA4w6d7yDkBU9czU wallet: 19980603	42,933 BTC (\$285,500,041 USD) -4018 BTC	0.2576%	2016-04-07 09:52:18	2017-11-12 21:33:45

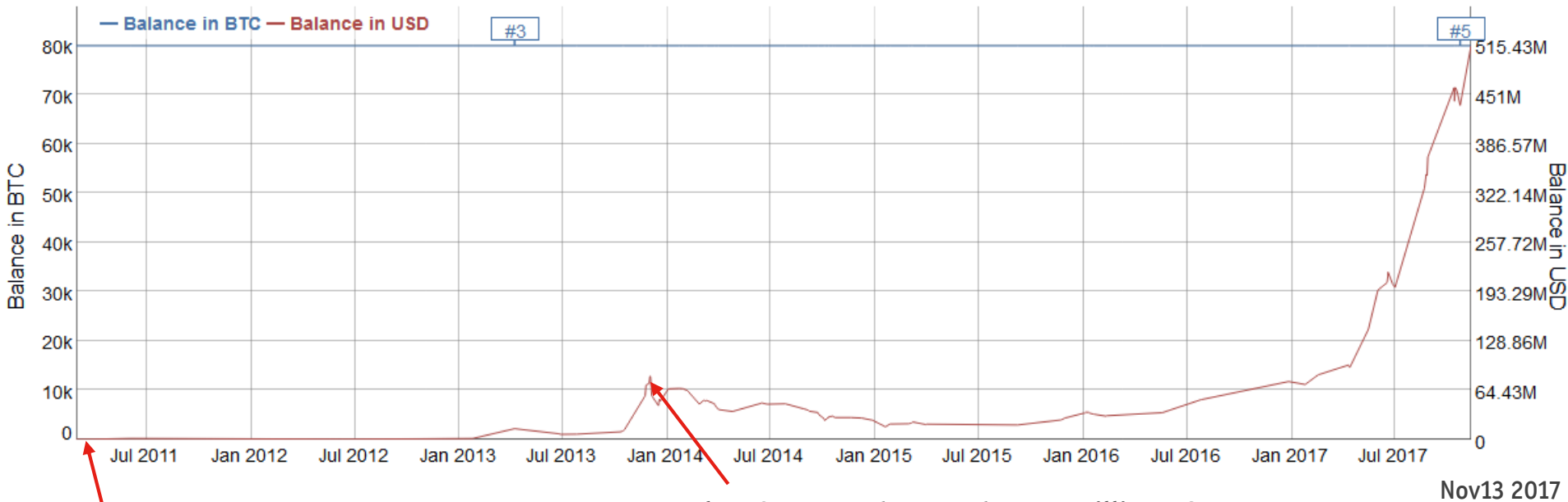
Nov13 2017

Wallet Development

79,957.16⁴²⁴²¹² BTC
Balance: 515,154,357.72 USD
Received: 79,957.16⁴² BTC (111 ins) first: 2011-03-01 11:26:19 last: 2017-10-25 16:04:14
Sent: 0 BTC (0 outs) first: last:
Unspent outputs: 111



1FeexV6bAHb8ybZjqQMjJrcCrHGW9sb6uF balance chart



79.95k BTC are worth more than 80 Million USD

Wallet created, 79.95k BTC for 74.36k USD
2011/03/01

- Zero Transactions
- Private Key Lost?

Initial Coin Offering (ICO)

Security Token

- Substitute for a financial Security
- e.g. Corporate Stock „Equity Token“
- Instant Trading
- Highly Liquid

-> No regulatory Framework

Utility Token

- No substitute for financial product
- Intrinsic utility
- E.g. membership rights or currencies or coupons
- Instant Trading

-> No regulatory Framework

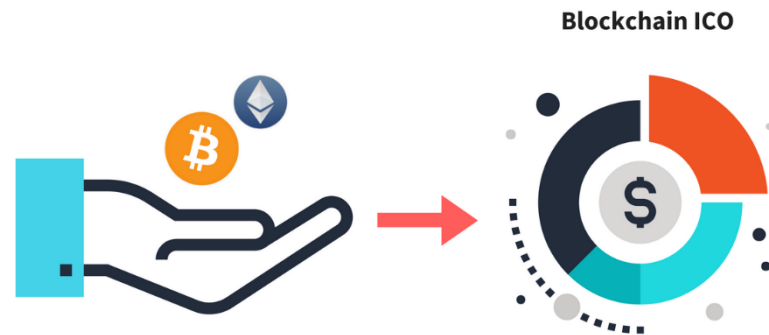
-> More than 90% of all ICOs are Utility Tokens!

What is needed for a Token Presale

1. A Legal Entity
2. A decentralised Ledger
 - a. On top of existing ledger (e.g. ERC20 tokens)
 - b. New decentralised Ledger

Optional:

- White Paper
- Marketing



Tax Implications

For Companies

- Proceeds from an ICO are totally taxable to the entity selling the tokens
- Tokens are treated as „property“ in US federal income tax
- Gain is calculated as Proceeds from Sale minus tax basis (usually zero)
- Presale Tokens are treated as „Options“ and the same tax rules apply

-> 35-50% Tax burden in the United States

For Token Buyer

- Investing in a Token is equal to buying a currency
- Tax free after a 1 year holding period



Source: Cooley

Ideal Set-up according to Silicon Valley Attorneys:

- Pre Idea phase: residence on the Cayman Islands (at least 6 months)
- IP Development on the Cayman Islands
- Excluding US Citizens in Token sale



Rewards

- Jump start network effects more vital than ever before
- Higher chances of tech-talent getting funding
- Higher Liquidity compared to traditional forms of ownership
- Transparent market for many different goods/ service
- Low entry barriers to take part in the creation of new ventures/ ideas

Risks

- An ICO needs as much time and preparation as getting Venture Capital (Amount X raised in Y days often misleading)
- Uncertain legal basis of entity and the provided documents
- The connection between the token holders and the holding company
- ICO Structure Risks (Share from the founder, undeclared salaries, ongoing charges...)
- Token risk (stolen, lost, enlisted, wallets hacked...)

Would you participate in an ICO?



Collected 429.000 Ether at ICO, 60% got lost due to Wallet Problems



EOS raised more than 200mln USD



Tobias Schulz

Investment Manager
High-Tech Gründerfonds
Schlegelstrasse 2
53113 Bonn

+49 228 82 300-130
t.schulz@htgf.de