



CryptoBazar Fund White Paper

Text: Oleg Ivanov, Andrey Yudin

CONTENTS

1. SUMMARY
2. TERMS AND DEFINITIONS
3. INTRODUCTION
4. CREATING A NEW CRYPTOCURRENCY
5. ICO INVESTMENT RISKS
6. OUR TEAM
7. CryptoBazar Fund INVESTMENT STRATEGY
8. INVESTMENT TERMS
9. TOKENS
10. TRUST & FUND'S RISKS
11. FUND LIQUIDATION

1. SUMMARY

Booming development of the blockchain technology and cryptocurrencies opens up great opportunities for investors. The recent years saw growing volumes of capital flow into cryptocurrencies, both as a way to increase wealth through speculation and as a way to safeguard assets from inflation in traditional economies, or as a means to fund projects based on decentralized platforms.

For individual investors, the great variety of opportunities on the cryptocurrency market can be daunting, which entails risks of losing assets or missing opportunities due to lack of access to undervalued assets.

Venture crypto fund *CryptoBazar Fund* was established as a solution.

2. TERMS AND DEFINITIONS

CryptoBazar Token (CBT) — the token of the CryptoBazar Fund in the form of digital code.

Pre-ICO — a preliminary round of raising capital, which allows projects to use the resulting funds for marketing and completing project development.

Initial Coin Offering (ICO) — the process of issuing tokens. This process generates tokens that can eventually be used to pay for services on their origin platform; in some cases, tokens can be considered a cryptocurrency.

Blockchain — a linear, decentralized chain of transaction blocks.

CryptoBazar — a platform that allows projects to attract investment through blockchain and issue cryptocurrency; and allows investors to get access to strong projects and grow their investments

Managing Partners — individuals responsible for the Fund's investment strategy, project selection and other matters of administration at the Fund. Resolutions to take on new Partners are passed by unanimous decision of all Partners.

Co-investors — legal entities or individuals who, acting together with the Fund, invest in the projects that have undergone selection.

Project — an investment project that is handled by the Fund, undergoes initial evaluation, extended due diligence, acceleration, and subsequently receives funding.

Deal (entry) — funding of project implementation by buying its tokens. The transaction is made in accordance with Article 807 of the Civil Code of the Russian Federation (Part II) as amended by Federal Law No. 14-FZ of January 26, 1996 or through signing a SAFT (simple agreement for future tokens) agreement.

Deal (exit) — a stage in the investment process when the Fund takes action to recover the invested funds (by selling tokens) and potentially receive profit as the case may be with the Project.

Token — digital code that, depending on the Project type, can be a form of digital currency, give voting rights, entitle to commission fees, or serve as proof of being a shareholder. Token is defined in a project's white paper.

Hurdle rate — CBT price at which the Fund deducted its last performance fee

CryptoBazar Fund — a Fund that carries out screening and extended due diligence on blockchain-based projects (a system based on a distributed database); then the Fund uses its own or raised capital to fund selected projects.

The Fund's address: 6/5 Barklaya St, Moscow (Barklay Plaza Business Center, Park Pobedy Metro Station), 121087, Russia

Website: www.cryptobazar.io

Contacts: info@cryptobazar.io, +7 499 372 3011

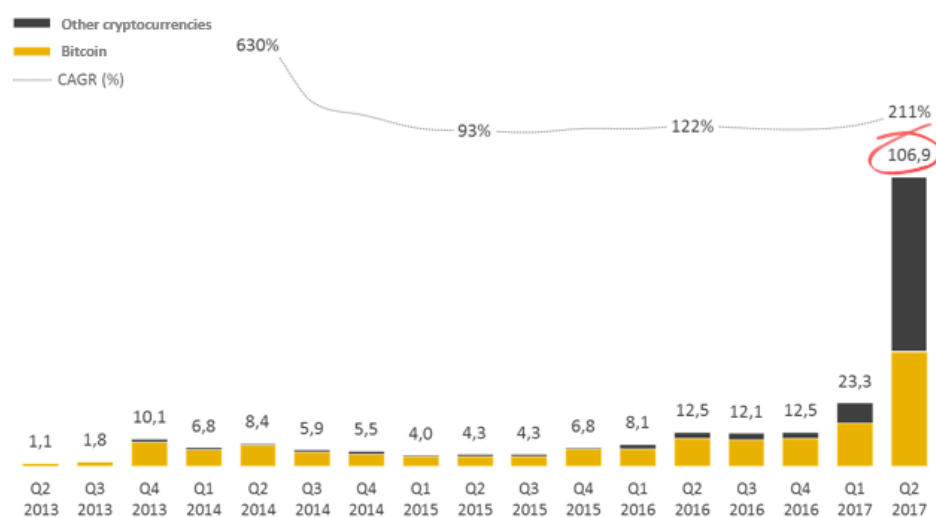
3. INTRODUCTION

The cryptocurrency market has been growing rapidly over the last two years. Some key developments and trends that maintain and accelerate this growth include:

- Legalization of Bitcoin and Ethereum in Japan in April 2017;
- Cryptocurrencies are a secure way to withdraw assets from highly volatile local stock markets, including China;
- Higher yields compared to standard financial instruments;

- Growing popularity of cryptocurrencies that are used to make payments and hedge against inflation in developing economies, including Venezuela and Argentina;
- Regulation and clear rules are gradually emerging in this sector, which makes it increasingly appealing to a larger number of investors, ranging from crypto evangelists to private and professional investors.

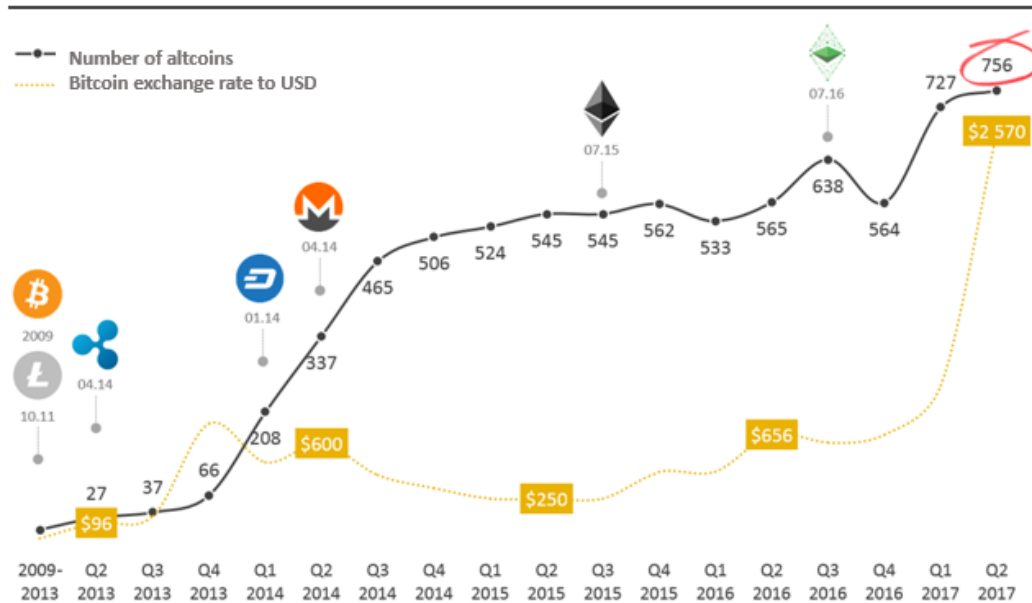
Market cap growth dynamics of the cryptocurrency industry
(USD billion)



Source: Coinmarketcapn.com (18.06.2017)

Notably, the bulk of growth is accounted for by alternative cryptocurrencies, or altcoins, whereas the Bitcoin's share is dwindling. At the same time, the level of cryptocurrency penetration into the financial market is still very low and the growth potential is enormous.

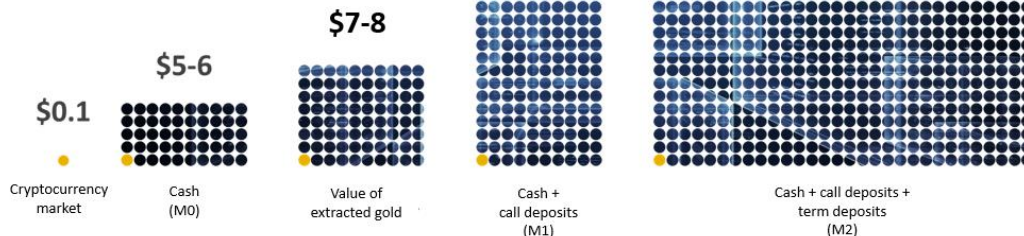
Dynamics of exchange-traded altcoins vs Bitcoin value (2013-2017)



Source: Coinmarketcapn.com (18.06.2017)

0.1%

Cryptocurrencies share of the total cash and non-cash money (M2) (USD trillion)



Source: IMF, public sources (2016-2017)

4. CREATING A NEW CRYPTOCURRENCY

Looking at the traditional economy, it is evident that it is driven by the growing business. In other words, "value" or "investment growth" is created due to business activity. Invested capital can grow only via business projects growth. Any other source of growth is merely an intermediary stage in a transaction between the money owner and the business that generates capital growth.

Let's take a couple of common investment cases:

- Banks receive funds in the form of deposits made by individuals, companies, and other organizations; banks then make money by lending these funds at a higher rate. Loans are granted mostly to businesses or individuals, who have to confirm their creditworthiness by proof of employment (ultimately, banks receive money from businesses in this case too).
- Stock and commodity exchanges facilitate trade in shares, bonds and derivatives issued by companies to fund growth (again — businesses). Securities can also be emitted by governments; these are paid off against future tax

revenues from companies (business) and individuals who pay personal income tax on money that they earn due to businesses.

c) Real estate investment. With commercial real estate it is already in the name; businesses pay for rent. Residential housing is paid for out of our income that, yet again, comes from having a job (yes, businesses).

That is why the highest profitability on capital within a traditional economy is in business. Other investment vehicles present some form of trade off with lower ROI, but with higher comfort and risk diversification.

Cryptocurrency market is quite similar to a traditional economy in that business projects attract investment and in return create value and capital growth.

- As with a traditional business, emission of crypto-tokens or coins is just like emission of shares by conventional companies, except that tokens are traded on crypto-exchanges, and their valuation depends on the trajectory of the project or market developments.

- As with a traditional economy, businesses may pay you for making a useful contribution to their operation (for example, an hourly wage or, in case of crypto-projects, a reward for mining).

- Last but not least, as with a traditional business project, when companies do not have access to funding through issuing shares or bonds (the latter are almost exclusively used to large businesses), startups and SMEs usually turn to venture funds or crowdfunding / crowdinvesting vehicles for raising capital.

Blockchain technology and emergence of cryptocurrencies provide a good opportunity for business projects to pursue their vision by combining crowdfunding and security market toolkits. Previously, a private investor funding a venture project had to wait years before the project would break even and start generating profits to pay investors. Now, investors get an opportunity to receive crypto-tokens in return for their funds, and then monitor the token's appreciation on exchanges and selling these tokens at any desired time, thereby recovering the investment at a profit.

Appealing to both investors and business projects, this idea gave rise to a new vehicle called ICO, or Initial Coin Offerings, that is, emission of crypto-tokens or cryptocurrencies. Business projects come up with uses for their tokens and offer tokens to private investors in exchange for crypto-investment, usually in Bitcoin or Ethereum. The tokens are then listed on crypto-exchanges that facilitate transactions so that tokens can be sold more easily than conventional venture investment assets.

5. ICO INVESTING: RISKS

Similarly to conventional venture investing, investing in ICOs can produce returns with high multiples. No other investment vehicle — lending, stocks, trading, etc. — can generally match the ROI of venture investing that literally multiplies the capital. Current ICOs demonstrate remarkable performance too, averaging at 30,000% ROI.

Returns on TOP-30 most successful ICOs
(current market cap / funds raised by ICO)



Source: Cyber.fund

However, just like any investment, both conventional venture investing and investing in crypto-ventures entail certain risks and have specific aspects, some of which are listed below.

- A risk to miss out on a solid project because of a growing information overload, contradictory opinions and project assessments before ICO launch, or simply due to lack of access to quality projects prior to ICO.
- A risk to draw up a poorly structured deal even if the project is great, lose your capital or a sizable share of returns.
- Risk of having your assets frozen for a long time.
- Risk of having to get involved into operations management if the project team is weak.
- Risk of funding a substandard project and losing the entire investment.

Bottom line is that to make smart choices on the crypto-market, investors need access to a good selection of quality projects, proper due diligence, well-structured deals, competent capital management and exiting projects at the right time to secure returns. Venture crypto fund *CryptoBazar Fund* was established to let investors do exactly that.

6. OUR TEAM

As investors, we have been involved in the InvestBazar since 2013 working on the markets of Russia, the CIS, and over 40 other countries that have become our subscribers. The InvestBazar Fund, our conventional investment fund, invests exclusively in SMEs in the real economy and currently manages over \$15 mln USD. Over the years, we have built an extensive partner network spanning Russia, the CIS, and Europe that brings us 1,500–2,000 investment applications per quarter. We have an effective selection system that allows us to identify the best business projects and teams. Since 2013, we have been hosting open events where the strongest projects can pitch to private investors of different specializations.

In 2017, we launched a crypto-division within InvestBazar — CryptoBazar that focuses on three major areas:

- a) CryptoBazar ICO Accelerator — online acceleration for projects and preparing ICO launches;
- b) CryptoBazar Events — events for promoting and developing the blockchain industry and presenting upcoming ICOs to investors;
- c) CryptoBazar Fund — investing in projects prior to ICO launch.

In 2017 we organized a series of CryptoBazar Demo Days and CryptoBazar Exclusives in Russia, Germany, Poland, Cyprus, Dubai, Monaco, Switzerland, Singapore, Hong Kong and USA. The vision of CryptoBazar for the coming 1.5 years is to create the largest international partner infrastructure that will allow industry players to get access to the most interesting and forward-looking cryptocurrency projects and get an opportunity to invest in these projects at their earliest stages under the most lucrative terms.

A video-summary of our events is available at:

<https://www.youtube.com/watch?v=TxY30RjCQZk> (Russia)
https://www.youtube.com/watch?v=sUACvtbT_4g (Russia)
<https://www.youtube.com/watch?v=PGf6zLh1nwQ> (Dubai)
<https://www.youtube.com/watch?v=YHGyOQGqtTE> (Cyprus)
<https://www.youtube.com/watch?v=DRZk5c9pRo0> (Monaco)
<https://www.youtube.com/watch?v=ePJwAPfdsK4> (New York)

CryptoBazar Fund Managing Partners: Oleg Ivanov, Andrey Yudin, and Stanislav Sukhinin.

As the Fund's Managing Partners, we are responsible for:

- Making investment decisions;
- Ensuring efficient, transparent, and verifiable transactions;
- Security and prevention of unforeseen contingencies.

The Fund's team of experts and advisors is carefully selected and regularly refitted to ensure access to the latest expertise in venture projects scoring, legal planning and support, blockchain technology developments, conventional underwriting and trading, marketing and promotion tools, etc. The list of experts and advisors is public and available at www.CryptoBazar.io. The list is regularly updated.

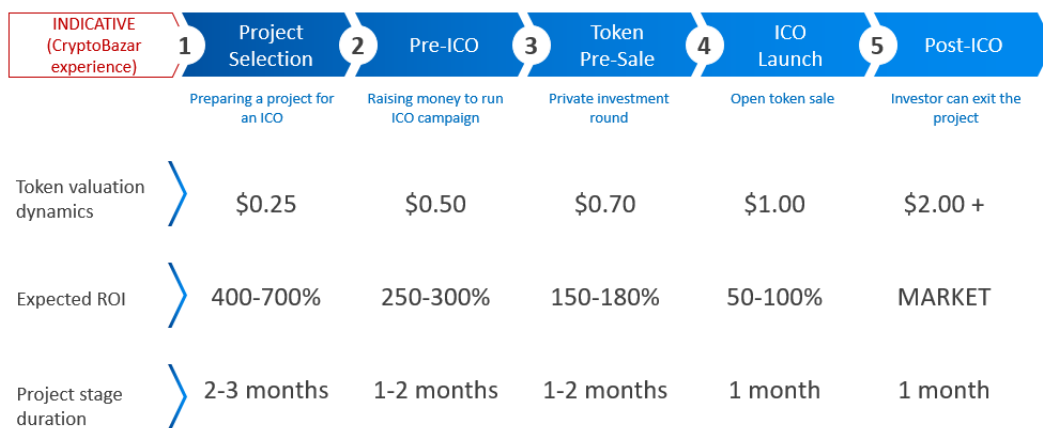
7. CryptoBazar Fund INVESTMENT STRATEGY

Most investors who look to invest in ICOs only make investments at the ICO stage itself, whereas the CryptoBazar Fund enters projects **BEFORE** they **launch ICOs**.

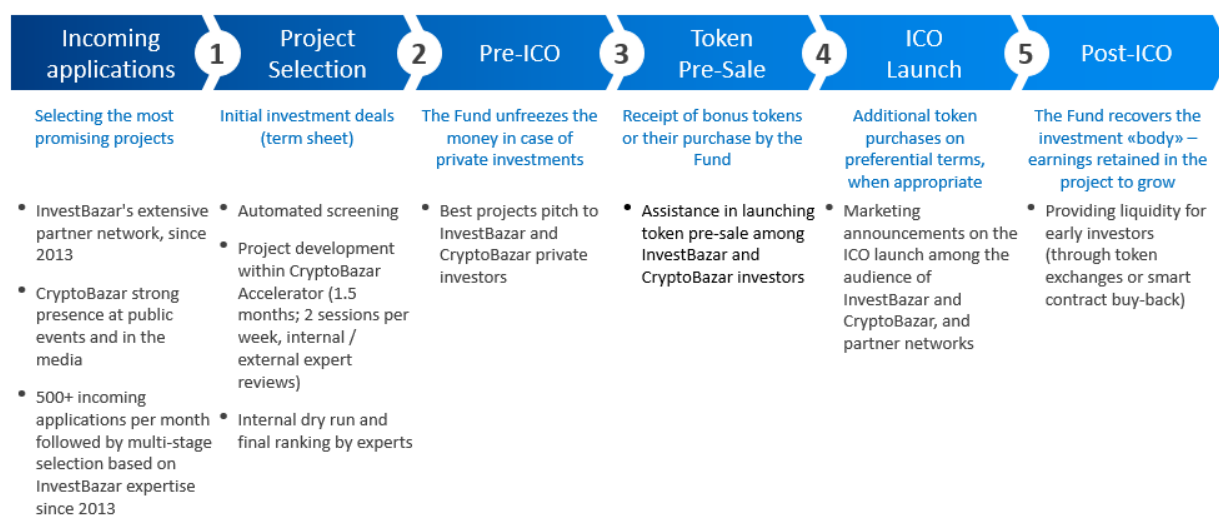
This strategy has several advantages:

- The best option in terms of return within any given project;
- Possible preferential exit rights;
- Means to increase investment in a project through favorable options for additional purchase of shares or tokens at pre-ICO prices.

In the standard ICO launch process, it is clearly seen that investing at the earliest stages yields the highest returns.



The Fund has an extensive international partner network for searching business projects and a set process for project selection, shown below.



Basic principles of investment policy at the venture fund CryptoBazar Fund.

- The Fund's main goal is to increase the total value of its investment portfolio.
- The total value of a portfolio is divided between all CryptoBazar Token (CBT) holders less the Fund's fee (for details, see a dedicated section below).
- 100% of the capital invested through the Fund is invested into projects that are launching their ICOs.
- Investing in projects prior to their ICO (the stages "Project Selection", "Pre-ICO", and "Token Pre-Sale").
- Exit terms – through the sale of tokens of various projects in the fund's portfolio once these tokens become liquid (get listed on crypto exchanges or there is demand on the OTC market).
- Deal cycle is 6-9 months with yearly capital turnover ratio at 1,5-2.
- Profitability calculation when assets become liquid or when exiting the project to receive liquid crypto-assets (Bitcoin, Ethereum, etc.):
 - In case the Fund holds tokens of a business project, the profitability is calculated when:
 - the tokens are sold for liquid crypto-assets (Bitcoin, Ethereum, etc.),
 - the tokens appreciate (monitored by a quote parser operating at crypto-exchanges, or manually when the project completes a stage in fundraising and the token price changes, or when the Fund can no longer acquire project's assets at older prices).
 - If the Fund holds a share in a business project, the profitability is calculated when the share is sold and the Fund receives liquid crypto-assets to its wallets (Bitcoin, Ethereum, etc.).
- Reports of the Fund:

- a. The Fund keeps accounts in three currencies — USD, BTC and ETH, as the investments are made in assets that use one of these three currencies. If the Fund acquires assets denominated in another currency, these are converted into the three stated currencies;
- b. Detailed and transparent fund’s portfolio valuation is done daily and is uploaded to co-investor personal profile at www.CryptoBazar.io.

8. INVESTMENT TERMS

A) Entry fee. Any time when a buyer invests through the CryptoBazar Fund, 4% of issued tokens are withheld as a Fund's fee that is used to finance the Fund's operation.

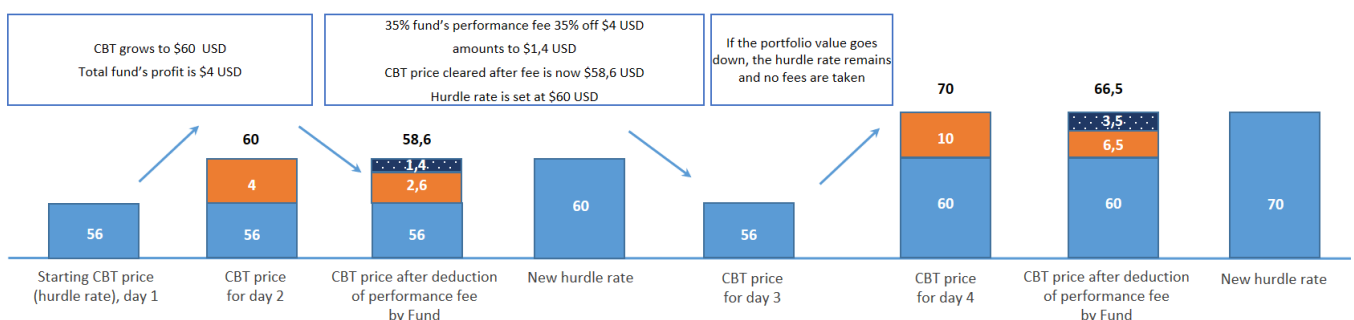
B) Exit fee is 0%.

C) The Fund's performance fee levied on all returns is 35% of portfolio growth.

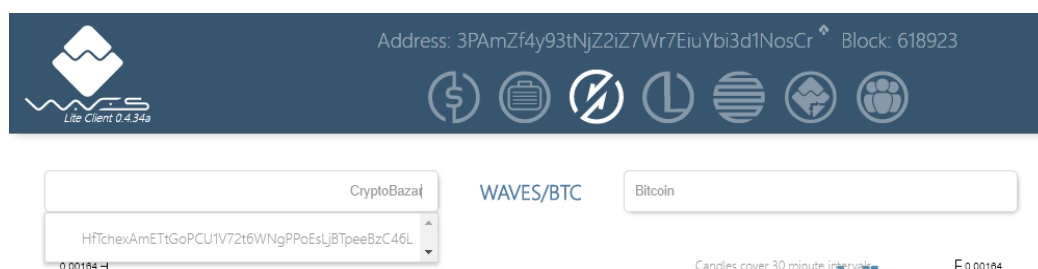
Performance fee calculation:

1. The fund performance is calculated daily and depends on the performance of each asset in the fund’s portfolio (price of tokens in the portfolio on crypto exchanges);
2. Performance fee of the fund is calculated together with the evaluation of the total fund performance on a daily basis; the fee is withdrawn from the fund by the fund managers only during those days when the CBT price is over the last CBT price when the fee was collected* (“hurdle rate” – CBT price at which the last performance fee was withdrawn by the fund managers)
3. The Fund withdraws its 35% performance fee only and entirely from the fund’s profit and when the new CBT price is higher than the last CBT price when the performance fee was collected (higher than the hurdle rate)
4. Such daily mechanics makes the performance fee calculation and collection transparent and predictable to every co-investor and allows to avoid considerable CBT price fluctuations due to the accumulated fee withdrawals. This daily process also makes the profit distribution fare to every co-investor – from the early co-investors to the recent ones.
5. The portfolio metrics in the co-investor profile are shown after the deduction of the performance fee – thus co-investors see the actual returns on their capital.

Example of the Fund’s performance fee calculation



D) Lock-up period is 12 months. During the lock-up period, the Fund undertakes no obligation to buy back CBT at the request of investors. At the same time, co-investors can freely sell their CBT on a crypto-exchange at any moment (for example, at the decentralized exchange based on the Waves wallet <https://waveswallet.io>, in the CryptoBazar / Bitcoin pair).



After the lockup period, the Fund undertakes to buy back any CBT assets at full price pursuant to a buy back request placed directly through the co-investor profile account at www.CryptoBazar.io.

9. TOKENS

The Fund has issued 100,000,000 CryptoBazar Tokens (CBT) on the Waves platform (www.wavesplatform.com). The tokens are held in a reserve account and transferred to co-investors against crypto-investments made to the Fund in Bitcoin. The number of tokens in the reserve accounts and traded on the market is reflected in the Fund's regular reporting.

Each time a co-investor makes a BTC transaction to the Fund, the Fund releases reserve CBT at a rate calculated daily at 12:00 PM GMT.

Token price = Fund's portfolio value / Tokens in circulation

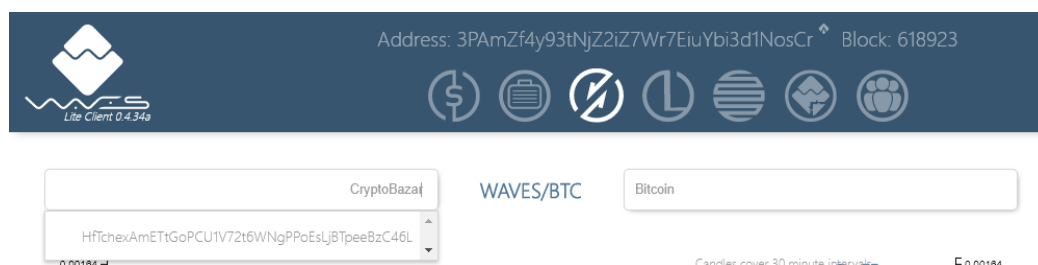
Investments = Co-investor's tokens / Token price – entry fee commission

Once a co-investor transfers CBT back to the CryptoBazar Fund, such CBTs are returned to the reserve account of the fund. Co-investor receives BTC back to his wallet in return for the CBT at the CBT rate set for the date of the transaction at 12:00 PM GMT.

Token price = Fund's portfolio value / Tokens in circulation

Investment = Co-investor's tokens / Token price (no fees on exit)

Co-investors can also buy or sell CBT on the free market, including the decentralized exchange inside the Waves wallet, in the CryptoBazar / Bitcoin pair.



10. TRUST & FUND'S RISKS

10.1. Trust Management

Although blockchain technology allows for anonymity and confidentiality, the operation of the CryptoBazar Fund is based on the principles of transparency and openness.

Trust management is carried out within the bounds of the jurisdiction applicable for investors. When investors entrust tokens for asset management, this does not entail transfer of token ownership to Managing Partners.

The Fund and the investor are aware that interactions between the parties are considered confidential information and can be disclosed to third parties only in cases stipulated in the applicable legislation (except for third parties that Managing Partners contract in order to fulfill their obligations under the contract with the investor). Any publicly available information is not considered confidential.

The Fund, acting as an entity that handles personal data, carries out a set of administrative and technical measures to protect personal data and ensure confidentiality of personal data.

Managing Partners handle personal data of Clients based on the Clients' consent to processing of their personal data in the form of a signed Statement of Accession.

10.2. Risk Warning Notice

Co-investors acknowledge that investing in the blockchain technology and administration of a portfolio of cryptocurrencies and tokens entails high risks, where risks are understood as occurrence of events that entail losses for investors. Existing risks are determined by numerous parameters which cannot always be forecasted and changes in which cannot always be controlled. The higher the expected return, the higher are the risks intrinsic to investment portfolio management.

Co-investors understand and agree that all deals and transactions with assets are carried out by Managing Partners without co-investors' instruction, at own discretion of Managing Partners. Granting the right to make transactions with the managed assets to Managing Partners, co-investors are aware that the assets may both appreciate or depreciate. Accordingly, co-investors assume all risks relating to the Fund's investments.

Co-investors understand and agree that statements by Managing Partners, the Fund's staff, authorized representatives or any other parties regarding future asset growth do not give rise to any obligations on the Fund's part and can only be construed as suppositions.

Co-investors understand that the Fund's performance in the past does not determine the size of its profits in the future. Any successful financial outcome for other parties does not guarantee similar outcomes for co-investors.

Co-investors assume risks related to actions of state bodies or trading platforms that regulate Russian and international securities market.

Co-investors understand and agree that Managing Partners are not able to foresee all potential risks and warn co-investors thereof.

Co-investors waive any liability on the Managing Partners' part in the event of emergence of such risks except when stipulated in the applicable legislation.

Co-investors acknowledge receipt of information from Managing Partners regarding operations on the markets of cryptocurrency and financial instruments and assume risks, including without limitation, those listed below:

- A. General risk — a risk related to social, political, and economic situation in a given country. This risk has no specific connection to any investment vehicle. General risk cannot be reasonably influenced or controlled by Managing Partners; this risk cannot be reduced or diversified against. This risk is influenced by:
 - changes in the political situation;
 - possibility of adverse legislative action;
 - sharp currency devaluation;
 - credit crisis, banking crisis, and currency crisis that develop as a direct or indirect consequence of political and legislative risks. According to the Fund's interpretation, among general risks also are events of force majeure, primarily those bearing manmade, natural, or geopolitical nature (external hostilities).

B. Market (financial) risk — a risk with a higher probability of occurrence. This is a risk of incurring direct losses or losing profits when making transactions on the cryptocurrency market due to the effects of factors, such as:

- currency risk;
- liquidity risk;
- price risk;
- token issuer bankruptcy risk;
- criminal risk;
- legal risk;
- operational risk (technical, technological, human).

Investing in CryptoBazar Fund classifies as a venture investment. Funds are provided for innovative forward-looking projects that do not yet have access to the stock market.

This section enumerates risks not to dissuade from investing, but to aid co-investors in assessing risks associated with this type of investment and allow them to make a more informed decision regarding cooperation with the Fund.

11. FUND LIQUIDATION

Liquidation procedure can be initiated by the following events:

- A resolution by 2 Managing partners
- There is less than 1 surviving Manager

Liquidation is carried out as the following procedure:

- All disposable funds are exchanged for BTC within 8 weeks by a technical support team
- All BTC are divided between CBT holders proportionally to their shares in the CryptoBazar Fund
- All BTC are transferred to the registered co-investors' addresses

In case the Fund owns non-liquid assets, such assets are held by the Fund's managers or duly authorized individuals until such assets can be converted into BTC and transferred to co-investors.