Global Liquidity And Settlement System (GLASS)

GLASS

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Important Legal Notices And Disclaimers

The purpose of this white paper is for information purposes only and may be subject to change or update without notice. This white paper is a preliminary concept release intended solely for review and discussion by the blockchain and cryptocurrency communities regarding the technological merits of the potential system outlined herein.

This white paper may contain references to third party data and industry publications. As far as we are aware, the information reproduced in this white paper is accurate and the estimates and assumptions contained herein are reasonable. However, we offer no assurances as to the accuracy or completeness of this data.

The Blockchain Revolution at Risk

The emergence of cryptocurrencies and blockchain tokens promises to fundamentally remake the private capital market. In 2017, the total value of tokens grew to USD$37.7 billion, a nearly 19,000% increase over the prior year.[1] Companies and investors raised USD$5.4 billion last year through initial coin offerings.[2] At its current rate, ICO capital raises will hit USD$12 billion this year.[3] To appreciate the rapid growth of token sales, consider that U.S. startups (i.e., seed and Series A) in 2017 raised an estimated USD$8 billion using traditional private placement.[4]

But two fundamental problems threatened the further expansion of the blockchain enabled capital market. First, many crypto trading platforms around the world struggle to generate enough liquidity to serve their local markets. Apart from the most frequently traded currencies and tokens, many exchanges have insufficient buy and/or sell side demand on their platforms to support an active market. This makes pricing discovery on any single exchange inefficient. Prices across platforms can vary significantly, creating arbitrage opportunities that undermine the efficiency and integrity of the market.

Second, regulators in the United States and other key jurisdictions view tokens as securities and are regulating them as such. For example, the agencies require investors to trade security tokens only on regulated trading systems and exchanges. Existing trading platforms, most of which lack licenses in any jurisdiction, face a significant dilemma. If the platforms wish to trade tokens that regulators deem securities, they can either: (a) register as a broker-dealer in each country where they have a material numbers of users, (b) choose not to register, but risk regulatory enforcement and other legal action, or (c) shut down token trades in those countries. Each choice presents material problems for the platforms.

The SharesPost Solution

The SharesPost Global Liquidity and Settlement System ("GLASS") will be a decentralized network that enables crypto platforms to pool liquidity and settle compliant cross-border token trades Exchanges could boost trading volumes without materially slowing transaction processing speeds by connecting with counterparties on other exchanges. The platforms can market to and serve customers even if regulators deem those tokens as securities in that jurisdiction.

To increase transaction volume, token trading platforms will submit buy and sell orders for some or all of their tokens to the network. The network will connect buyers and sellers from different exchanges, pooling the collective liquidity of participating exchanges. The system could inspire confidence among exchange clients that they are getting the best available price for their purchase or sale. SharesPost's escrow technology could eliminate counterparty risk between exchanges. The combined liquidity will generate network effects for GLASS and the participating exchanges. As more platforms join the network, GLASS could accumulate even more liquidity compared to non-participating platforms, thus giving them a stronger incentive to sign up.

The network could also eliminate the need for exchanges to determine whether tokens are securities in a particular jurisdiction. Each jurisdiction/country will feature one or more licensed entities (e.g., broker-dealer, Alternative Trading System, etc.) on the network to settle trades in that jurisdiction. Regulators should not penalize participating exchanges because a local regulated entity will make sure each trade complies with local securities laws. The distinction between utility tokens and security tokens will become largely irrelevant because entities licensed for securities transactions will settle the trades. As a result, exchanges can move to acquire customers in the United States and other jurisdictions now actively regulating securities tokens.

SharesPost is ideally positioned to build, launch and maintain GLASS. Launched in 2009, SharesPost pioneered the online trading of shares of private growth companies and has since matched thousands of buyers and sellers in more than $4 billion worth of transactions in the shares of more than 200 leading private companies, including Facebook, Tesla, Twitter, LinkedIn, Alibaba, etc. SharesPost's U.S. trading platform (housed in New York and San Francisco) is already licensed by the U.S. Securities Exchange Commission (the "SEC") as an Alternative Trading System ("ATS") and by the Financial Industry Regulatory Authority ("FINRA") as a clearing broker-dealer. SharesPost also operates a business development subsidiary in Hong Kong and subsidiaries in Singapore and Dubai that are currently registrating with regulators. The company anticipates the launch of licensed broker-dealer subsidiaries in London and Berlin.

SharesPost's registered entities will be among the first settlement providers on GLASS, providing the network with immediate coverage in key financial centers. To earn settlement and network fees, other licensed platforms will join the network as settlement providers. SharesPost's proven legal and compliance teams will be initially oversee the regulatory review of settlement providers and ensure that each operates in compliance with the laws of its jurisdiction. Ultimately, the community of settlement providers and trading platforms will govern itself.

In addition to GLASS, SharesPost will also operate a marketplace for investors to interact with security and utility token issuers. SharesPost will provide access to ICOs, secondary trading as well as data and research for investors to make informed investment decisions. The system will link trades with SharesPost's brokerage accounts, which can securely store and manage fiat and cryptocurrencies and digital and traditional securities. More than 150,000 investors are registered with SharesPost, including more than 50,000 institutions and accredited investors. They represent the first wave of investors in the United States seeking liquidity on GLASS

In summary, SharesPost will launch a decentralized liquidity and settlement network. Participating exchanges will deepen their liquidity, drive incremental transaction volume and settle compliant transactions in all jurisdictions even if regulators deem tokens are securities.

The ICO and Token Markets are Growing Rapidly

In 2017, companies raised USD$5.4 billion through the primary sale of tokens,[5] a 2,000% increase over the previous year.[6] For the first two months of 2018, ICO value totaled USD$3.6 billion, which suggests token issuance may increase this year by 241%.[7]

The rapid growth in cryptocurrency use and value is prompting private companies to seek ICOs. Crypto investors find ICO investments convenient because they can typically be made using bitcoin or ether. As participation in the cryptocurrency market becomes increasingly mainstream, token issuers can expect a growing pool of buyers interested in their ICOs.

Early token issuers raised capital to build out technology protocols. Today, issuers are focusing on tokens and smart contracts. For example, venture capital firm Blockchain Capital rolled out its BCAP token, which represents an interest in a fund. Other companies have looked at tokens for fiat currencies, real estate, commodities and equity. Finom's FIN token represents a share of its common stock. Such asset-backed tokens are just taking shape. Once regulators approve them, asset-backed tokens may overtake the market for utility tokens.

The success of startups in raising such capital has encouraged older private companies, to pursue token financings. SharesPost is aware of "unicorns" (i.e., private tech companies with market caps in excess of USD$1 billion) with plans to tokenize parts of their existing businesses. Globally recognized companies that launch ICOs promise to bring more mainstream investors to the token market.

Trading Platforms Struggle to Generate Liquidity

Despite the rapid rate of growth in cryptocurrencies, the liquidity of the ecosystem remains constrained by regulatory uncertainty and market fragmentation. Aggregate crypto daily trading volume averages USD$18 billion and token trading volume averages USD$4 billion daily.[8] This pales in comparison to the global foreign exchange market, which sees daily trading volume in excess of USD$5 trillion.[9]

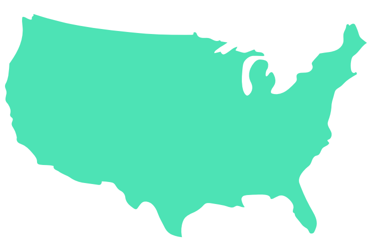
The lack of liquidity is even more acute for security tokens. Lacking the registrations required to facilitate secondary trading of securities, exchanges generally avoid listing tokens that may be deemed by the authorities to be securities. As the SEC and other regulators have become markedly more aggressive in enforcement actions against unregistered platforms, many platforms are requiring token issuers to deliver legal opinions stating that their token is not a security. However, given the regulatory uncertainty, few law firms have been willing to write such opinions. And because exchanges currently have no mechanism to share their liquidity, pools of buyers and sellers are broken up amongst many isolated exchanges. As a result, investors looking to trade these tokens find inefficient price discovery and minimal to no liquidity.

Regulators Force Token Platforms to Evolve

Regulators were initially slow to react to the advent of cryptocurrencies and token economies. Decentralized cryptocurrencies and digital tokens are dramatically different than traditional fiat currencies and securities. The enabling encryption and blockchain technologies have led to the creation of new kinds of financial instruments and transactions. As a result, regulators around the world needed time to understand them and their impact on financial markets. In 2017 though, regulators began to take firm (in some cases, aggressive) positions on how tokens should be treated under securities laws.

These new regulatory demands created a significant challenge for token trading platforms. Online trading platforms are global and their users come from many different jurisdictions. This was not a problem when platforms could take the position that they were not trading securities and so were not subject to regulation. Now though, powerful regulatory bodies have made it clear they see many tokens as securities and will regulate them and those that facilitate trades in them accordingly.

Trading platforms must now choose how to respond and their options are limited. If they choose to accept the demands of the regulators, they must either develop a compliance mechanism in each jurisdiction where they have a material number of users or refuse to facilitate security token trading for those users. The former is operationally impractical and the latter would result in the loss of very significant revenue. Alternatively, they can choose to defy the regulators and so become "black hat" operations trying to evade government enforcement actions. It appears unlikely that platform operators could successfully circumvent government action over the long term and, in any case, such platforms would become fringe players unable to retain mainstream investors and institutions. The general uncertainty as to how the platforms and regulators will proceed from here has created a cloud over the ICO market.



United States

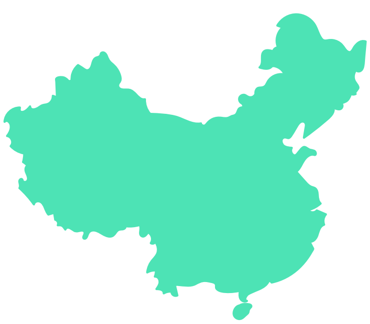
In the summer of 2017, the SEC stated its position on ICO's in its enforcement action against the issuers of the DAO token. Relying on established case law, the SEC appliedthe "Howey test" to determine if the DAO tokens were securities. Simply stated, the Howey test holds that if the value of the token will depend on what the company builds with the proceeds of the token sale, then the token is a security. It is presumably the application of this test that led SEC Chairman Clayton to state "I have yet to see an ICO that doesn't have a sufficient number of hallmarks of a security."

In the second half of 2017, the SEC was active in enforcing its position that many tokens were securities. A special group was formed within the SEC for the purpose of reviewing token offerings and ensuring their compliance with U.S. securities laws.[10] Enforcement actions were taken against multiple issuers in the midst of their ICO's, shutting down those offerings and forcing the return of capital raised. In one prominent example, the SEC obtained court orders to freeze bank accounts and shut down the operations of AriseBank which had been in the process of raising USD$600 million.[11]

Tokens that are securities can only be legally traded in the U.S. on Alternative Trading Systems or national exchanges. Accordingly, in March 2018, the SEC released a statement titled "Statement on Potentially Unlawful Online Platforms for Trading Digital Assets": It warned investors about unregistered platforms presenting themselves as legitimate exchanges. It stated that "... the SEC staff will continue to focus on platforms that offer trading of digital assets and their compliance with the federal securities laws." Existing token platforms were served with subpoenas and voluminous information requests that are the first step in what will likely be lengthy investigations, at least some of which can be expected to result in legal action.

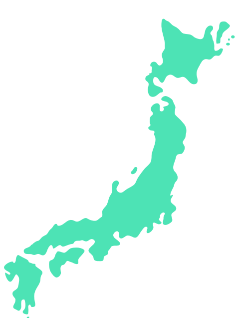
In April, the New York Attorney General's office launched its own regulatory review of crypto trading platforms.[12] Prominent offshore platforms that have already been named as being caught up in the investigation include: Binance, Bittrex, Huobi and many others. While too early to tell the full extent of the Attorney General's enforcement actions, it likely presents onshore and offshore crypto trading platforms with another regulator reviewing their compliance in serving U.S. investors.

The predictable result of these developments has been to essentially shut down the sale or trading of tokens in the United States. Most issuers, trading platforms, advisors and other token service providers are putting their U.S. businesses on hold until the SEC creates greater regulatory clarity and/or a safe, compliant way to trade tokens emerges.



China

The central government has not yet released a detailed policy on cryptocurrencies and tokens. But the country's actions suggest Chinese authorities may take a hard line on tokens. In September 2017, regulators banned initial coin offerings and ordered domestic cryptocurrency exchanges to stop trading.[13] Companies that already issued tokens were required to refund money to investors. However, over-the-counter (OTC) trading of bitcoin and other cryptocurrencies continues. Investors are flocking to overseas trading services or using virtual private networks to trade tokens in Japan and Hong Kong. Chinese officials are reportedly now considering whether to block access to these foreign exchanges as well.[14]

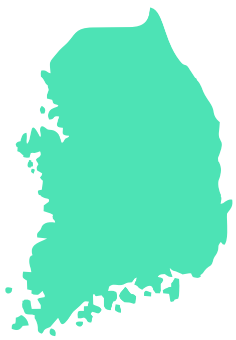


Japan

Perhaps because of its long history as a foreign currency exchange center, Japan has been more welcoming to cryptocurrencies. The Financial Services Agency of Japan ("FSA") said that certain digital coins can be considered "virtual currency" if people use them to pay for goods and services or exchange for other digital currencies.[15] The practical application of this standard has yet to be tested by the regulators or the courts.

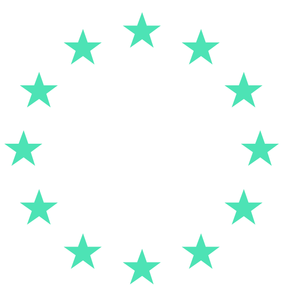
Singapore

The Monetary Authority of Singapore (MAS) has mostly focused its activity in the space around Anti-Money Laundering regulations. However, in November 2017, the MAS said securities laws might also apply to ICOs.[16] The agency said it could categorize some tokens as "capital market products" which would be regulated under the country's Securities and Futures Act. The agency released some case studies of tokens and their analysis of whether the token would be a security.



South Korea

China's crackdown on token exchanges prompted many Chinese investors to migrate their trading activity to South Korean exchanges. In January 2018, in an effort to limit cryptocurrency and token trading activity to adults trading on local exchanges, South Korea banned foreigners and minors from creating exchange accounts.[17] The country also prohibited anonymous accounts. There are rumors that South Korean authorities, led by their Justice Department, are considering additional measures that might ban cryptocurrency trading exchanges all together. As a result, many South Korean blockchain companies have set up crypto-havens in Switzerland, Gibraltar and Singapore.



European Union

The European Securities and Markets Authority (ESMA) said it will only regulate ICOs if the tokens qualify as financial instruments.[18] At the same time, the ESMA has emphasized the need to ensure investors are well informed and protected. To combat money laundering and funding of terrorist groups, the European Council is considering steps to ensure investors identify themselves. The European Commission has also banned EU countries from creating their own cryptocurrencies, fearing banks will lose control over the money supply.

Competitive Landscape is Undeveloped

Though to our knowledge there is no company attempting to create a liquidity pooling or cross-border transaction settlement network that would be competitive to the GLASS, a handful of platforms have registered to trade cryptocurrencies in their local jurisdictions (e.g., Quoine in Japan). Further, some unregistered ICO platforms and advisors in the U.S. appear to be exploring the possibility of registering with authorities or have already commenced the process. However, despite some claims to the contrary, to our knowledge, none have yet completed the necessary regulatory registrations to begin operation of electronic trading platform for digital

Given the arduous registration process in the United States, it is not surprising that, other than SharesPost, there appear to be no Alternative Trading Systems trading material volumes of unregistered securities. U.S. regulatory registration required for a security token trading platform include:

- Creation or acquisition of a broker-dealer member of FINRA with a membership agreement that specifically authorizes transactions in unregistered, uncertificated securities of a non-reporting issuer;
- Registration of that broker-dealer with Securities Investor Protection Corporation ("SIPC"); and
- Further, registration of that broker-dealer with the SEC as an Alternative Trading System and completion to the satisfaction of the SEC of a Form ATS.

It is important to note that regulatory registration is just the first step in becoming a compliant, fully operational token trading platform. For example, in the United States, a token trading platform would need to demonstrate achievement of the following list of requirements to FINRA and the SEC before it would be permitted to commence trading operations:

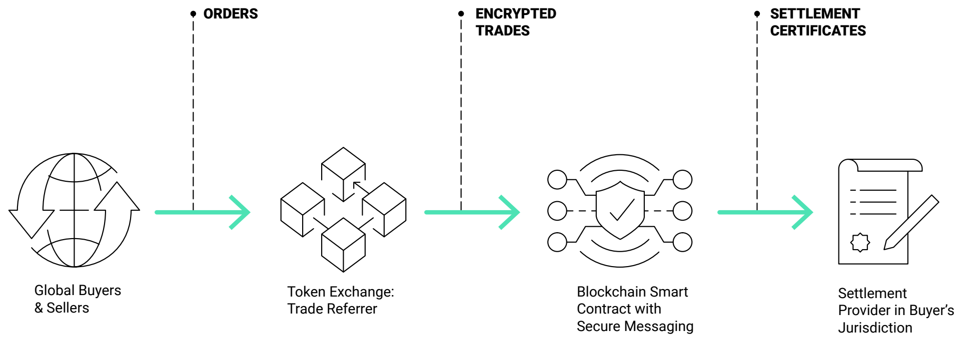
- A technology and process that can reliably accredit investors to preserve an exemption from the registration requirements under U.S. securities laws;
- A technology and process that can reliably ensure proper collection and archival of customer information and documents and that apply Know Your Customer ("KYC") requirements to transacting parties;
- A technology, process and licensed personnel that can reliably ensure transactions are vetted pursuant to Anti-Money Laundering ("AML") laws:
- Trading and order matching systems that meet a host of technical requirements, including Best Execution requirements;
- Technology and processes that meet FINRA mandated cybersecurity requirements;
- Adequately trained, FINRA licensed (typically Series 7 and 63) individuals to manage transactions and any customer interactions regarding securities; and
- FINRA registered compliance staff to oversee those individuals.

Unlike U.S. competitors still in the registration process or which have yet to start the registration process, SharesPost is able to distribute and trade security tokens now. Since 2009, SharesPost has navigated an increasingly complex regulatory landscape to acquire the appropriate registrations to trade unregistered securities in the United States and is now in the process of doing the same in Singapore, Dubai, and Hong Kong.

The Global Liquidity and Settlement System (GLASS) provides complete liquidity and compliant settlement solutions for crypto exchanges. Exchanges may use GLASS's liquidity pooling functions without using its settlement features and vice versa.

Settlement Network

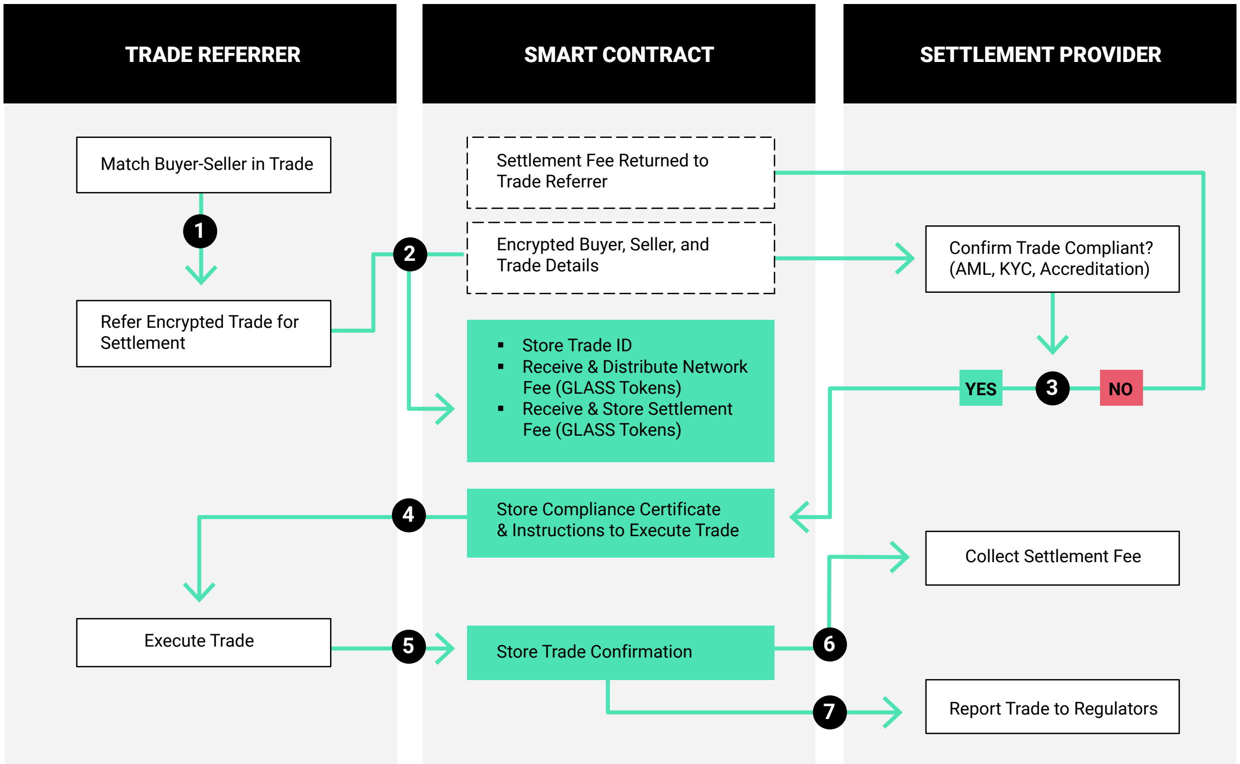
GLASS will be the first decentralized settlement network to ensure cross-border trades meet applicable regulations. By ensuring compliance regardless of where buyer, seller or the trading platform connecting them are resident and regardless of whether or not the token traded is a security, GLASS will solve the regulatory constraints currently threatening continued growth of the ICO and token trading ecosystem. The settlement network will comprise two participant types: Settlement Providers and Trade Referrers.



Settlement Providers will be regulated entities (e.g., ATS, broker-dealers, Recognized Market Operators), at least one in each country, regulated to facilitate security token trades by residents in their jurisdiction. The SharesPost Marketplace will provide GLASS with immediate settlement capability in the United States. Once registrations are completed, SharesPost's registered subsidiaries in Singapore and Dubai will follow further expanding the network's regional coverage. Other non-SharesPost, regulated entities will be encouraged to join the network and become Settlement Providers in order to earn GLASS's settlement fees.

Any trading platform can join GLASS as a Trade Referrer, including unregistered exchanges, broker-dealers and other transactional platforms legally permitted to refer non-resident client trades to regulated entities in the clients' home jurisdictions. When a Trade Referrer matches a foreign buyer and/or foreign seller in a token trade, they submit the trade to the network by: (a) sending (in encrypted format) the client and trade information the Settlement Provider will need to vet the trade using GLASS's secure protocol, and (b) "depositing" the required fees in GLASS tokens into GLASS's ERC20 smart contract.

The Settlement Provider then performs the required compliance functions for the trade in its jurisdiction – e.g., accreditation, Know Your Customer (KYC), Anti-Money Laundering (AML). If the trade is compliant, the Settlement Provider deposits a digital Compliance Certificate into the settlement network smart contract and sends the Trade Referrer instructions to release the client's payment/tokens to the counterparty. The Trade Referrer records the trade confirmation using the smart contract. The Settlement Provider completes the process by making any necessary reports or filings with local regulators. The compliance record for the trade is immutably stored by the GLASS smart contract should the Trade Referrer need to present any regulators with the Compliance Certificate.



To submit trades to the network, Trade Referrers must include GLASS tokens to pay a network and a settlement fee. The network fee is a relatively small, non-refundable fee that is paid by the Trade Referrer to compensate Settlement Providers for being part of the network and reviewing trades for settlement. It also discourages any Trade Referrer from submitting spam trades. The network fee is shared by all of the Settlement Providers in proportion to their stake in GLASS tokens.

The settlement fee is a larger fee that is retained by the Settlement Provider only in the event that it is able to clear the referred trade. The settlement fee compensates the Settlement Provider for the liability they assume by processing the transaction within their regulated entity. Unlike the network fee, the settlement fee is retained solely by the Settlement Provider clearing the trade. In the event a referred trade is not compliant for whatever reason and so cannot be cleared by the Settlement Provider, the settlement fee is returned to the Trade Referrer submitting the trade.

SharesPost will be responsible for reviewing Settlement Providers seeking to join the network and confirming they are appropriately registered in their local jurisdictions. In most cases, approval of a Settlement Provider will require a legal opinion from reputable legal counsel domiciled in the same jurisdiction as the Settlement Provider. Approved Settlement Providers will be added to the network's whitelist. SharesPost will seek to balance the number of Settlement Providers in each jurisdiction with the jurisdiction's trade volume. This will ensure that there is neither an over-nor under supply of Settlement Providers in each jurisdiction. SharesPost will also hold Settlement Providers to the network's governance, confidentiality and security standards.

As the number of Settlement Providers and transaction volumes on GLASS increase, the network will achieve economies of scale. Settlement will become more and more efficient and costs will be continually lowered. It will therefore become relatively more and more expensive for exchanges to settle their token transactions by forming and operating their own broker-dealers or other regulated entities.

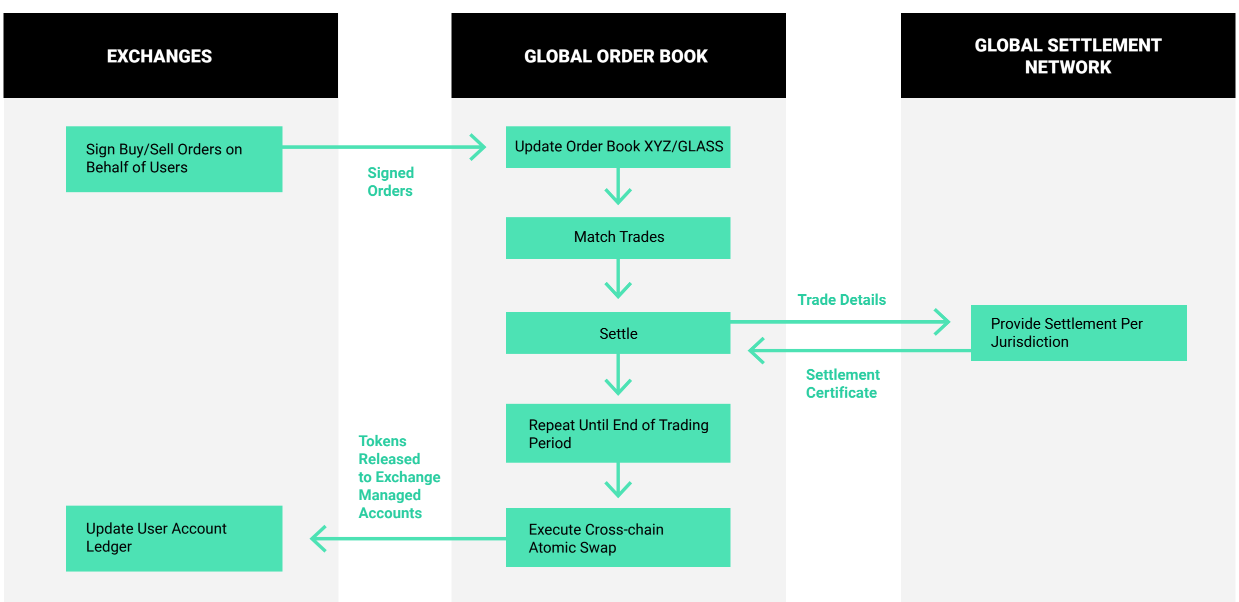
Liquidity Pooling

To generate network effects, GLASS will enable each exchange member to access the liquidity of other participating member exchanges. Exchanges can choose to pool liquidity for a single token trading pair, a subset of their trading pairs or all of their trading pairs. This gives exchanges the flexibility to strategically decide which parts of their order book to share. For example, they may choose to withhold customer orders for trading pairs where they already have deep liquidity but submit client orders where they have insufficient liquidity to generate meaningful transaction volume.

Customers enter orders on the member exchange's website using the exchange's existing interface. Branding and the customer relationship remain entirely with the exchange. The exchange charges its normal commissions and other fees to its clients in the same way it does on non-GLASS enabled transactions. Working only in the background, GLASS is largely invisible to the customers of the participating exchanges.

For each trading pair, GLASS maintains a single master order book aggregating buy and sell orders from all exchanges pooling orders for that trading pair. The GLASS master order book is provided via a cross-chain sidechannel and replaces the exchange's proprietary order book for the trading pair. Clients of participating exchanges viewing the master order book will thus see a much deeper market than they would if the exchange remained isolated. This will drive an increase in trading volume for each exchange and the network as a whole. This will make each of the participating exchanges more attractive to investors seeking a liquid market.

To eliminate counterparty risk between exchanges, participating exchanges must commit the tokens they will be pooling into the GLASS side channel escrow order book technology. Exchanges will be prevented from submitting orders for tokens in excess of their committed tokens. Each exchange holds a private key for their escrowed tokens but the GLASS technology ensures: (a) the tokens cannot be spent in transactions outside of the side channel by the exchange, and (b) in the event that GLASS trades are matched between exchanges in the side channel, the swapped tokens will be credited to the corresponding exchanges. At the end of the escrow period, the exchange may withdraw any unused tokens from the escrow. Escrow periods will be adjusted over time to maximize the efficiency of the network but are initially expected to be somewhere between one hour and one day.



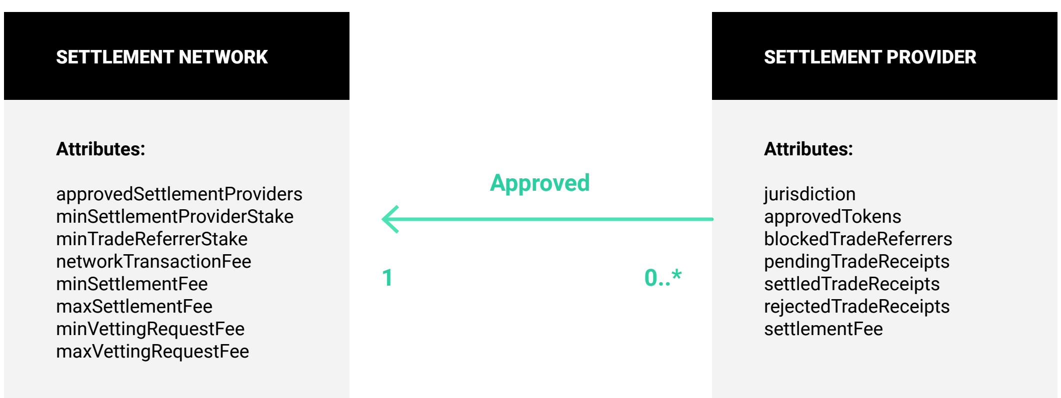
Exchanges that match their clients with counterparties through GLASS may choose to also use GLASS to handle settlement of the trade, particularly in cases where trade participants are resident in a jurisdiction different than the exchange's, but it is not required. Similarly, exchanges may use the GLASS settlement functionality without having to pool liquidity on the network.

Technology Summary

GLASS settlement functions will rely primarily on a smart contract implemented in Solidity on the Ethereum blockchain with an ERC20 compliant token. The SharesPost ERC20 token and GLASS settlement smart contract will be used for settlement fees, network fees, stakes for Trade Referrers, and stakes for Settlement Providers. Even though the GLASS token is hosted on the Ethereum blockchain, trades from any blockchain can be settled on GLASS.

Confidential trade data and buyer and seller information will be stored off-chain by the Trade Referrers and Settlement Providers as encrypted JSON files. Only Trade Referrers and Settlement Providers facilitating a particular trade will have access to the encrypted JSON file storing the trade's data. Compliance Certificates will be anchored to blockchain transactions using cryptographic hashes. Trade details will be encrypted and routed peer to peer between parties. Only cryptographic hashes of data with one-time pads are stored on the blockchain as IDs for notarization purposes.

The public Ethereum blockchain will be used for whitelisting Settlement Provider blockchain addresses and blacklisting Trade Referrer addresses. Compliance Certificates are stored publicly in Ethereum blockchain transactions for Trade Referrers and Settlement Providers to access at any point in time.



Exchanges will utilize the GLASS side channel API to integrate the master order book into their platform for the trading pairs they choose to pool on the network. Buy and sell orders from participating exchanges will be submitted off-chain to GLASS as encrypted JSON files and signed side channel payment authorizations. The GLASS master order book will be implemented as a side channel with cross blockchain settlement capabilities including integration with the GLASS Ethereum smart contracts written in Solidity. The processing capabilities of the GLASS master order book are expected to be such that bids and asks can be received and matched at a rate in excess of one million transactions per second. Users of exchanges leveraging GLASS for liquidity should not notice a difference in trading speeds or even be aware that their exchange is sourcing their counterparty from another exchange on GLASS.

To address counterparty risk without the need for a trusted third party, participating exchanges will commit tokens in advance of trading on GLASS's secure escrow protocol. The side channel escrow protocol will not permit duplicative use of the committed tokens. In this way, each exchange has confidence that at the end of short, predefined escrow periods, they will obtain payment of tokens per trades matched in the GLASS master order book. These escrow periods are initially anticipated to be between one hour and one day depending on transaction volumes and blockchain settlement times. At the end of each escrow period, tokens escrowed by one exchange will be released from their committed state to the other exchange(s). Cross-chain atomic swaps will be used to transfer tokens without the counterparty risk inherent in conventional approaches to order book sharing.

Governance

To rapidly launch GLASS and ensure participants abide by network rules, SharesPost will serve as the network's administrator and initial governance body. During the launch phase, SharesPost will review and implement policy changes, including the setting of network and settlement fees, as necessary to foster the growth and effectiveness of the network. After this launch phase, when the network achieves operational efficiencies and scale, the governance body will be appointed by Settlement Providers voting in proportion to the GLASS tokens they hold.

As the network administrator, SharesPost will also be responsible for reviewing Settlement Providers seeking to join the network and making sure they are appropriately registered in their local jurisdictions. All Trade Referrers are able to immediately join GLASS and begin pooling orders and settling trades once they stake the required number of GLASS tokens. Settlement Providers in each jurisdiction can then accept or reject referred trades on a per trade basis. In addition, individual Trade Referrers that do not conform to the policies of a specific Settlement Provider may be blacklisted by that Settlement Provider. Furthermore, subject to review by the governance body, Trade Referrers who repeatedly violate the network's code of conduct or are unsuitable to participate in the network may be blocked from participation through the GLASS blacklist.blockchain as IDs for notarization purposes.

SharesPost Marketplace

In addition to their use by GLASS participants, GLASS tokens will also be usable for services on the SharesPost Marketplace, a U.S. ATS able to trade digital assets. The SharesPost marketplace has already connected thousands of buyers, sellers and issuers of unregistered securities in more than USD$4 billion worth of compliant transactions.

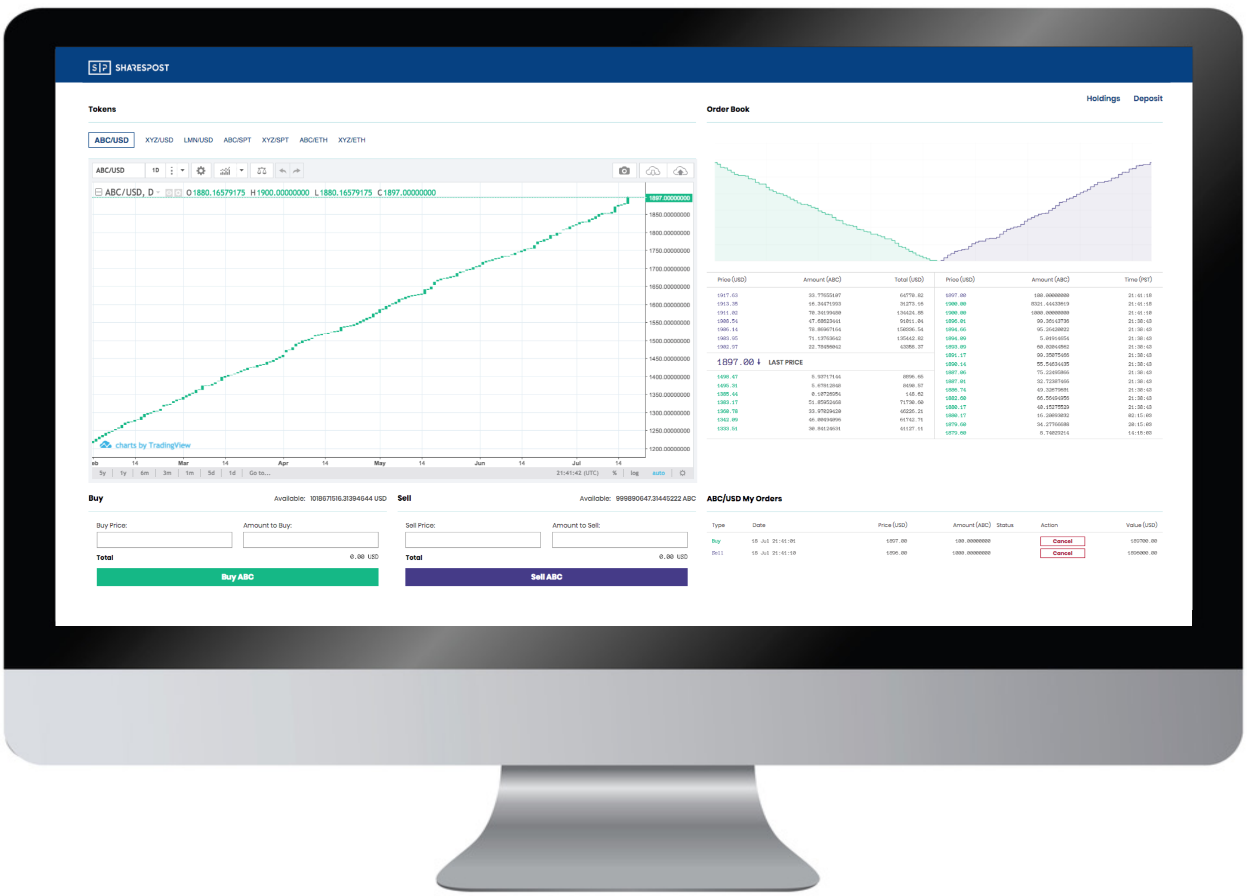
In October 2017, SharesPost successfully revised its Form ATS with the SEC to include the trading of unregistered, uncertificated securities held on distributed ledgers, i.e. security tokens. Accordingly, the SharesPost Marketplace is one of the first platforms where companies can issue their security tokens in accordance with U.S. securities laws and buyers and sellers can trade them compliantly. The SharesPost Marketplace will join GLASS as an anchor tenant on the network, pooling the liquidity demands of its 150,000 registered investors and providing settlement for other exchanges.

Because SharesPost is a FINRA registered clearing broker-dealer, investors on the SharesPost Marketplace will be able deposit and custody fiat and cryptocurrencies and digital tokens (regardless of whether or not they are securities) into real brokerage accounts. From those brokerage accounts, they will be able to buy and sell cryptocurrencies and utility and security tokens as well as trade shares in leading private growth companies i.e., unicorns. They will also access SharesPost's proprietary research to gain insight into the prospects for token issuers and the value of their tokens.

ICO issuers will use GLASS tokens to secure a variety of services on the SharesPost Marketplace. They will be able to use SharesPost's online offering process to conduct their ICO as crowd sales under Section 506(c) of Regulation D (i.e., "crowd sales" to the public). In addition to their existing investor relationships, issuers can leverage the SharesPost platform's sales, marketing and distribution capabilities. This currently includes sales teams located in New York, San Francisco, Singapore, Hong Kong and Dubai and soon London and Berlin.[19] Since 2009, these sales teams have built relationships with thousands of private technology company investors transacting on the SharesPost Marketplace.

After the ICO, token issuers can support the value of their token by connecting and communicating with token holders on the SharesPost platform. SharesPost publishes research and data about approximately 300 private technology companies. SharesPost investors can view valuation benchmarks and indexes tracking the value of tokens. Issuers can also make the financial disclosures to token holders that are necessary to support compliant secondary trading in the U.S. They will also be able to track and manage their token holder communities via their company page of the SharesPost website.

UI Preview: Professional Web Security Token Trading Interface



Token Uses And Utilities

SharesPost will generate a maximum of one billion tokens via smart contract during the Token Generation Event.The GLASS token will be used by participants in the Settlement Network and SharesPost Marketplace.

Token Use on the Global Liquidity and Settlement System

GLASS will use the GLASS token to build and incentivize a community of crypto exchanges around the world. For participating exchanges, GLASS will effectively become the shared liquidity and settlement infrastructure. Use of that common infrastructure will be “taxed” by the charging of GLASS tokens. To encourage service providers to join the network and maintain that infrastructure, the network will pay GLASS tokens to the service providers.

Exchanges can play one of three roles on GLASS, each with its own token utility and economics. They can stake GLASS tokens and pay per transaction fees to pool liquidity for some or all of their trading pairs. Exchanges can also be a “Trade Referrer,” staking GLASS tokens to submit token trades to the network for compliant settlement. Lastly, if they are registered in their jurisdiction, they can be Settlement Providers, earning settlement fees and share in network fees by settling trades for Trade Referrers. The network fees paid by Trade Referrers will be distributed to all Settlement Providers in proportion to the tokens they’ve staked. The settlement fee is paid to the Settlement Provider only if the trade is settled. If it is not settled for any reason, the settlement fee is returned via smart contract to the Trade Referrer.

Global Liquidity and Settlement System					
Name Purpose	**User Type**	**Role**	**Use**	**Enabled by**	**Purpose**
Liquidity Pooling	Token trading platform or exchange	Liquidity Pooling Participant	Obtain liquidity from network for one or more trading pairs by providing access to GLASS master order book for the pair	Stake GLASS tokens; size of stake proportional to GLASS transaction volume for trading pair(s)	Pay per trade fee in GLASS tokens; fee is a percentage (bps) of transaction size
Trade Referral	Token trading platform or exchange	Trade Referrer	Obtain compliant settlement of trades by non-resident clients	Stake GLASS tokens; size of stake proportional to prior quarter’s trades submitted to network	Pay non-refundable network fee for each trade submitted to network; pay settlement fee for each trade cleared through network
Trade Settlement	Registered entity (e.g. ATS, broker dealer)	Settlement Provider	Share in network fees and earn settlement fees by settling trades in local jurisdiction for Trade Referrers	Stake GLASS tokens; size of stake proportional to prior quarter’s trades submitted to network in Settlement Provider’s jurisdiction	Receive a share of network fees in proportion to stake relative to aggregate Settlement Provider stakes; receive settlement fee for each trade the Settlement Provider clears

Token Use on the SharesPost Marketplace

SharesPost's U.S. ATS will provide investors and issuers of security tokens and other digital assets with a variety of services. Investors and issuers will stake GLASS tokens to obtain some services and pay tokens to receive others. Though all SharesPost services may be paid for with fiat currency, issuers and investors using GLASS tokens will receive discounts and those that stake tokens will benefit from preferred access to the platform. The more investors and issuers stake, the greater the extent of the preference they receive.

SharesPost Marketplace					
Name Purpose	**User Type**	**Role**	**Use**	**Enabled by**	**Purpose**
Liquidity Pooling	Companies conducting ICO's	Liquidity Pooling Participant	Have token traded on Marketplace; present company on Marketplace website	Stake and maintain GLASS tokens; size of stake proportional to regulatory risks and expected trading volume	Penalties deducted from stake for regulatory infractions
Account Opening	ICO investor and crypto trader	Investor	Receive GLASS tokens for opening SharesPost account	None	Receive GLASS tokens
Token Trading	ICO investor and crypto trader	Investor	Trade cryptocurrencies and tokens on Marketplace	Stake tokens for trading discounts; fee calculated as bps of trade; discount to trading fees in the trading pair base or quote currency	Trading fees are waived for trading pairs quoted in GLASS tokens – e.g. BCAP/GLASS and ETH/GLASS
Preferred Access	ICO investor and crypto trader	Investor	Gain access to ICO and other investment opportunities in advance of non-preferred members	Stake GLASS tokens	None

Technology Roadmap

SharesPost's Digital Assets Group, formed in Q1 2018, intends to roll out the Global Liquidity and Settlement System over the next year according to the following schedule:

Q2 2018

- Internal development of GLASS token
- Internal development of network protocol
- Internal development of GLASS smart contracts

Q3 2018

- Initial Trade Referrers on boarded to GLASS
- Internal development of GLASS pooled liquidity features
- Beta launch of GLASS with SharesPost entities serving as initial Settlement Providers in U.S.
- Beta launch of the SharesPost Marketplace

Release of GLASS token for use on GLASS settlement network and SharesPost Marketplace

Q4 2018

- Full launch of GLASS settlement functionality
- Full launch of SharesPost Marketplace with full digital order matching
- Begin on boarding additional Settlement Providers and Trade Referrers to network on rolling basis

Q1 2019

- Pilot GLASS pooled liquidity functionality with 2-3 trusted exchanges

Q3 2019

- Full launch of GLASS pooled liquidity functionality to network participants

* Dates are subject to change

The SharesPost Marketplace

Today the SharesPost's platform today consists of three integrated parts:

- SEC registered Alternative Trading Systems and FINRA registered, clearing broker dealer accrediting and matching buyers and sellers of private growth company securities from around the world in compliant secondary transactions.
- SEC Registered Investment Advisor providing unique financial products to investors seeking exposure to private growth companies, including the SharesPost 100 Fund, the only SEC registered mutual fund providing access to the private growth asset class.
- The SharesPost Research Group publishes proprietary research reports, private market data, valuation tools and indexes, like the SharesPost Private Growth Index.

SharesPost has assisted thousands of buyers and sellers in more than $4 billion worth of transactions in the shares of more than 200 leading technology companies. Thousands of investors also invest in companies like Palantir, Spotify, SoFi and other leading growth companies through the SharesPost100 Fund. In addition, growth equity investors come to the SharesPost website daily to receive private market news, analysis and market data.

SharesPost will be expanding its current marketplace to help security token buyers, sellers and issuers trade through an electronic order book with automated matching of buyers and sellers. The system will link the transactions to SharesPost brokerage accounts, which will securely custody and manage the assets, whether digital or traditional equity securities.

SharesPost Management Team

The SharesPost management team is a diverse collection of entrepreneurs and executives with experience at a variety of premier financial, legal, investment and technology firms. They include:

- **Greg Brogger, Founder and CEO** Greg founded SharesPost in early 2009 to bring transparency, efficiency and scale to the emerging Private Technology Growth asset class. Greg also launched and led the Nasdaq Private Market, a joint venture between SharesPost and NASDAQ OMX Group. Greg was a co-founder of TrueCar (Nasdaq: TRUE) where he was responsible for the company's early strategic partnerships. Greg was also a member of the founding team at Internet Brands (Nasdaq: INET). He began his career advising private technology companies as a securities lawyer at Wilson Sonsini Goodrich & Rosati. Greg received his BA from UC Berkeley, his JD from the University of Pennsylvania and his MBA from The Wharton School.

- **John Wu, CEO Digital Assets Group** Prior to SharesPost, John launched the SEGO fund to invest in digital currencies and securities; its predecessor fund, Sureview, was backed by the Blackstone Group. He was also previously a portfolio manager at Weiss Multi-Strategy Advisers, Kingdon Capital and Tiger Management. John is on the Advisory Boards of multiple blockchain companies. John holds a Bachelor of Science from Cornell University and an MBA from Harvard University.

- **Carol Foster, COO and CFO** Prior to joining SharesPost, Carol was Chief Financial Officer of PENSCO, a custodian of $15 billion in alternative assets. Carol has been an executive team member in leading investment banking and asset management firms and has deep experience in the alternative asset space. She has held positions at Pantheon Ventures, Calera Capital, Merrill Lynch, Goldman Sachs and Accenture. Carol has an MBA from Columbia University and a B.S. degree from Southern Methodist University.

- **Noah Thorp, Blockchain Architect** Noah has long been an active member of the Bay Area blockchain development community. He led a blockchain innovation prototyping venture studio for Fortune 50 clients and founded CoMakery, a blockchain community awards platform to accelerate ICO token ecosystems. In addition, Noah was VP of Engineering with Nasdaq Private Market.

- **Marie Jorajuria, CEO SharesPost Financial Corp** Before joining SharesPost, Marie served as head of Finance and Compliance for Equilibrium Capital. Prior to that, Marie was President, Chief Compliance Officer & Financial Operations Principal at Wealthfront Brokerage Capital. Earlier in her career, Marie served as a principal of an outsource financial and compliance services firm and in senior management positions with financial startups that revolutionized financial advisor and brokerage services. Marie received her undergraduate degree from the UC Berkeley and a Mellon/Ford Fellowship in economics at Princeton University. Marie holds FINRA Series 7, 24, 27, 63, 79, 87 and 99 licenses as well as the Chartered Financial Analyst (CFA) designation.

SharesPost Investors

Existing equity investors in SharesPost include an international collection of experienced angel investors, leading venture capital firms, financial services investors and crypto focused funds. They include:

- **GSV Capital** is a Silicon Valley based merchant bank and asset management firm investing in late stage private growth companies. Michael Moe, founder and Chief Investment Officer of GSV Capital, serves on the SharesPost, Inc. Board of Directors. Michael's honors include Institutional Investor's "All American" research team and the Wall Street Journal's "Best on the Street" award. He was recognized by Business Week as, "one of the best stock pickers in the country."

- **Kenetic Capital** is a Hong Kong based blockchain firm committed to expanding the development and adoption of blockchain platforms through investments, advisory services, community and technology. Kenetic has a world class team and network of partners and advisors across their platform of services. Jehan Chu, Co-Founder and Managing Partner of Kenetic, serves on the SharesPost, Inc. Board of Directors.
- **Lun Partners** is a Shanghai based investment management group that operates multiple investment vehicles and venture capital funds. The firm invests in rapidly growing early stage fintech companies. Mr. Peilung Li, founder and principal of Lun Partners, serves on the SharesPost, Inc. Board of Directors.
- **True Global Ventures** is an international, early-stage investment firm formed by leading technology entrepreneurs turned angel investors. The firm leverages the personal networks and expertise of its founders to support its portfolio companies across key financial centers on three continents. Dusan Stojanivic, founder and principal of True Global Ventures, serves as an advisor to the SharesPost, Inc. Board of Directors.

External Advisors

SharesPost is advised about issues concerning the design and management of the GLASS token by leading crypto, marketplace and legal experts. They include:

- **Jehan Chu** iserves as Managing Partner at Kenetic Capital Limited. He acts as Advisor to the Melonport, QTUM, and OpenANX. Mr. Chu founded the Ethereum HK community in 2014, co-founded the Bitcoin Association of Hong Kong in 2014; and founded the Hyperledger HK community in 2016. He served as Council Member at Gerson Lehrman Group. Mr. Chu was a former front-end developer with ten years' experience in web and enterprise application development. He has been a cryptocurrency investor since 2013. Mr. Chu is a Master's Degree candidate at Hong Kong University since 2017. He holds a degree from Johns Hopkins University.
- **John D'Agostino** serves as Managing Director of DMS Governance. He is one of the firm's Fund Governance practice leaders, providing guidance and independent oversight to boards to ensure adherence to governance, regulatory and compliance requirements. His expertise is in sophisticated private investment vehicles characterized by complex strategies and asset classes, notably quant, derivatives, structured credit, direct lending, cryptocurrencies and structured products. John founded the Digital Assets Group – an industry association that seeks to create best practices for institutional trading of crypto-assets and regularly advises global regulators on best practices. Prior to joining DMS, John was a Managing Director of Alkeon Capital, a New York investment advisor employing a long/short investment strategy. John previously worked with KPMG Consulting, where he was part of the firm's global leadership for the Finance and Hedge Fund consulting groups.
- **Thomas Lee** is a Managing Partner and the Head of Research at Fundstrat Global Advisors. He is an accomplished Wall Street strategist with over 25 years of experience in equity research, and has been top ranked by Institutional Investor every year since 1998. Prior to co-founding Fundstrat, he served most recently as J.P. Morgan's Chief Equity Strategist from 2007 to 2014, and previously as Managing Director at Salomon Smith Barney. His areas of expertise include Market Strategy, Small/Mid-Cap Strategy and Telecom Services. Mr. Lee received his BSE from the Wharton School at University of Pennsylvania with concentrations in Finance and Accounting. He is a CFA charterholder and is an active member of NYSSA and the NY Economic Club.

Partners and Service Providers

SharesPost has partnered with pre-eminent service providers in the formulation of its token ecosystem, compliance, legal and tax strategies for the offering and maintenance of the GLASS token. These firms include:

- **Kenetic** is a Hong Kong based blockchain firm committed to expanding the development and adoption of blockchain platforms through investments, advisory services, community and technology. Kenetic has a world class team and network of partners and advisors across their platform of services. Jehan Chu, Co-Founder and Managing Partner of Kenetic, serves on the SharesPost, Inc. Board of Directors.
- **Perkins Coie** is a leading international law firm that is known for providing high value, strategic solutions and extraordinary client service on matters vital to our clients' success. With more than 1,000 lawyers in 19 offices across th e United States and Asia, we provide a fu ll ar ray of corporate, commercial li tigation, intellectual property and regulatory legal advice to a broad range of clients, including many of the world's most innovative companies and industry leaders as well as public and not-for-profit organizations.
- **Wachsman** services many of the most disruptive and influential forces in fintech. Founded in 2015 by David Wachsman, the agency has become a leader in generating exposure and brand recognition for the most trusted organization in the blockchain, digital currency, crypto-asset, and crowdfunding industries. With dozens of clients around the globe and rapidly growing teams working from New York City and Dublin, Wachsman is a resource for reporters and producers worldwide..

Sources

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SHARESPOST GLOBAL LIQUIDITY AND SETTLEMENT SYSTEM

19. Note that applications for regulatory registrations are currently being processed in Singapore and Dubai but that no transactions can be facilitated in those jurisdictions until registrations have been completed. SharesPost intends to apply for registrations in Hong Kong, London and Berlin in the future.

GLASS

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