



SMC WhitePaper 1.0

Social Marketing Coin

<https://smc-project.online/>

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ABSTRACT

Affiliate marketing is broken. Far too many deals are done without a written contract and due to their diverse geographical location even a written contract is essentially unenforceable. Payouts are difficult to manage and difficult to track. Withdrawing or spending those funds is even harder.

The solution is a decentralized blockchain designed to create trust through reputability and create a payment method e-commerce publishers and affiliate marketers can easily send and receive throughout the affiliate infrastructure. The network will utilize Bulletproofs¹ to support confidentiality of business terms for affiliate payouts. Third party escrow services will be enabled to create a more trusted business environment for publishers and affiliates that will enable easier adoption of contracting and recourse.

The Affiliate Economy Token will be a side chain to a widely adopted and scalable blockchain like Bitcoin, Ethereum, Chia or Stellar. The SMC will be atomically swappable for Bitcoin, Ethereum and other major cryptocurrencies.



1. VALUE PROPOSITION

For publishers and ecommerce websites: Enable trust via contract justiciability and reputation in affiliate marketing partners, increase the volume of trustworthy partners, significantly simplify accounting and paying out affiliate fees, while increasing the volume of quality incoming traffic.

For affiliates: Enable trust via contract justiciability in affiliate website partners. Decrease disputes and create a credible dispute process. Enable reputation for all players including sub-affiliates. Simplify and speed up the receiving of payments, the allocation of additional payments, and ultimately increase the liquidity of funds for affiliates.

2. INTRODUCTION

Affiliate marketing accounted for 16% of US e-commerce orders in 2015.² In the US alone, Forrester reports that affiliate marketing accounts for 7.5% of total digital spend among retailers and publishers. Digital affiliate spending will total \$5.3 billion in 2017 and account for roughly 7% of total digital ad spend in the US. Total US affiliate spending is expected to be \$6.82 billion by 2020³. Total affiliate marketing spending in the UK was £ 1.39 billion in 2016 which was a 12% year over year increase.⁴ We believe it is safe to assume the global market is significantly larger.

WIDESPREAD INDUSTRY PROBLEMS

Due to the digital nature, the fast pace, and the highly multinational market, written contracts are rarely used in affiliate dealings. The business terms of the deal are discussed online or on the phone for most market participants - retailers/publishers, affiliate networks, and affiliates/sub-affiliates. History is rife with “the deal” being renegotiated after the fact by both sides. Content publishers and ecommerce sites will unilaterally decide to cut commissions or require higher minimum traffic numbers. Affiliates will find out that their traffic over performs and then demand higher commissions or they’ll stop sending traffic. Affiliates can also send bad

² <http://www.businessinsider.com/the-affiliate-marketing-report-how-mainstream-publishers-are-turning-performance-based-marketing-into-a-fine-art-2015-11>

³ <https://www.emarketer.com/Article/Affiliate-Marketing-Highly-Measurable-Scales-Easily/1014737>



traffic leaving a publisher stuck with unhappy customers and chargebacks. Worse yet, affiliates can set up their own CPA fraud, especially in high per action agreements.

Many affiliate marketing companies are incorporated in low or zero tax jurisdictions around the world. That makes a written contract even more complicated as there are rarely shared legal regimes. Much worse, though, is the unlikely ability to judicate and especially enforce a contract between, as an example, a company in Curaçao and a company in Malta. This leads to potential significant losses borne by either party after the deal execution is complete.

Further these sorts of frauds and unilateral “renegotiation” leaves only word of mouth and direct experience to drive reputations, leaving it *caveat emptor* for the next affiliate, retailer, or publisher. It is only recently with the advent of digital signature web services that an online contract could be completed in the real time timeframes common to deal making in the industry. Anything that would slow the pace of business is a negative to both side’s growth.

Payout and then use of funds is also complicated and difficult. Websites often partner with large affiliates or large single point of interface affiliate networks (Super affiliates) to be able to side step calculating a very large number of smaller payments to all of the downstream affiliates. This large overhead cost is compounded as a publisher or super affiliate is paying out an increasing count of “ever decreasing in value” payments. That has lead websites to centrally bargain and not have the option to have a wider direct relationship with a broader set of affiliates. Further those smaller payments are often held back until they meet minimum payouts; due to these costs and infrastructure inefficiencies, which significantly delays cash flow for smaller affiliates.

Large affiliates and affiliate networks take on the burden of calculating and actually paying out those numerous and smaller and smaller transaction amounts. Payment fees generally eat into both the affiliate’s cost of paying and the sub affiliates cost of receiving funds.

An outmoded regulatory environment means that the payment service providers inflict a variety of difficult restrictions above their high costs. KYC/AML requirements do not mesh well with the unwritten contracts that predominate the business. Most of the PSPs that can facilitate these smaller payments globally - and global payment is a must as sub affiliates are highly geographically spread - were originally designed as consumer “once in a while” payment services or at most targeted at small online businesses. They are also very expensive as compared to other funding alternatives and eat significantly into affiliate profits. Geographic diversity also means currency diversity and these PSPs have very high foreign exchange charges on top of the already high fees. Their consumer roots lead to significant withdrawal restrictions and a very high risk of frozen accounts and frozen funds. It’s no excuse to a landlord that “Paypal ate my money.” It’s also difficult to find the auto dealer that will accept that you want to pay cash but you’re going to have to send funds in 28 payments over the next 14 days. And as this is a fast paced industry, inter-industry payments also suffer from long transfer times and are rarely instantaneous or even same day in fact - even though they may appear instant. This is all before various regulating governments turn to the current payments infrastructure to

ensor. Perfectly legal online gambling in the U.K. is a serious crime in the U.S.A. As Wikileaks has shown, when faced with a government desire to censor speech or activity, cryptocurrency is the only place to turn.⁵

Finally, tax efficiency is important as are the details of deal terms between websites and affiliates /sub-affiliates. Various high tax jurisdictions are attempting to become as creative as possible to find and capture fund flows that they think they can tax. Depriving those aggressive tax collectors of the details of the size of a transaction, helps keep jurisdictional harmony and allows websites and affiliates to pay taxes and otherwise comply with the regulatory environment of their chosen jurisdictions. Those affiliates with larger traffic or better traffic or better reputations are going to be able to command the best rates, and it serves no one to have lesser affiliates using that rate information to bargain for higher market rates than they otherwise would obtain.

3. THE AFFILIATE ECONOMY ON A BLOCKCHAIN

Today content publishers and ecommerce companies recruit affiliates with the ability to drive significant traffic and actions, with promises of rewards and participation in the future economic value of the leads generated by that traffic. Affiliates are skeptical at times because history is rife with publishers changing the “deal” after the customers have been acquired or the goods have been sold. At best the contract in place is a click-wrap⁶ agreement that the affiliate agreed to - which is totally fungible and changeable by the publisher after the fact. Often the agreement was reached over the phone or across a chat platform. Conflicts are nearly inevitable. Further, recourse is elusive. Many of the agreements are between one offshore corporation in e.g. the Caribbean with another offshore entity in Asia. The realistic opportunity to litigate and then enforce a judgement in this extra territorial environment is virtually impossible even for seven figure plus sums of value.

By providing an industry specific blockchain which supports robust escrow capabilities and easy smart contracting focused on the final payment terms, affiliates and publishers can have a trusted environment to strike a business deal using the tools and communications methods they use today while then generating on chain smart contracts that enforce the final payment terms and a real chance to have a neutral third party arbitrate material disputes.

⁵ <https://www.cnbc.com/2017/10/16/wikileaks-julian-assange-bitcoin-50000-percent-return-thanks-to-us-government.html>

⁶ Boilerplate Terms of Service

Trust is a key enabler of economic activity and any economy where trust has been enhanced has seen significant economic growth as a result. In the affiliate economy, moving to a more trusted environment where transparency and disputes are a matter of public blockchain record significantly increases opportunities for affiliates and publishers to truly take advantage of the customer acquisition that they can drive. Paul J. Zak & Stephen Knack have shown⁷ that higher levels of trust at the national level significantly increases nation level economic growth. Follow on studies continue to find strong impacts of trust on growth where increased trust leads to significant economic growth.⁸ We believe that those macroeconomic trends apply to the microeconomics of the affiliate economy as well⁹.

Having a liquid and valuable currency that is also used to enforce business terms between publishers, affiliates and their network of sub affiliates, will particularly address the day to day problems imposed from ill fitting regulations that the current international payment service providers labor under. Having one's Paypal or Skrill account locked simply because one had an unexpected business success has become the stuff of internet memes. Getting paid in the currency used throughout the ecosystem and being able to leverage the global markets for other cryptocurrencies and exchanges to convert to whatever financial instrument one needs will take one of the largest problems of being an affiliate away.

The top two problems for all affiliates are:

- 1) The lack of enforceable contracts and
- 2) The difficulty in accessing profits generated for subsequent investing or paying bills.

Enabling a smart contracted enforced escrow infrastructure will finally bring the strengths of mediation to the affiliate economy. The threat of mediation itself will in a majority of cases be enough to keep both sides closer to the core business terms that were negotiated up front. Both sides will be able to take more risks with unknown partners with the knowledge that there will be legitimate justiciability if either side refuses to live up to their end of the bargain.

SOLUTIONS

SMC will develop a sidechain to one of the major blockchains to support escrow and smart contract driven payment terms to enforce affiliate marketing offline contracts and record historical reputation. The company plans to develop both open source blockchain management

⁷ <https://onlinelibrary.wiley.com/doi/abs/10.1111/1468-0297.00609>

⁸ <https://www.annualreviews.org/doi/abs/10.1146/annurev-economics-081412-102108>

⁹ https://papers.ssrn.com/sol3/papers.cfm?abstract_id=136961

software as well as end user client software for the major desktop and mobile platforms¹⁰ to make the process of creating a smart contract based escrow agreement easy and to enable optional fast additional authentication mechanisms like OpenTimestamps¹¹ and the ability to share a signed and time stamped copy of business terms as a document or screenshot. These extra steps will significantly reduce the burden of presenting evidence in a case where a dispute arises.

The company will also recruit an initial group of mediators and continue to publish a list of industry aware mediators and their per contract rate as well as their dispute rate in a format that simplifies interactive queries using the SMC desktop clients.¹² This mediation tool will be optional to both parties if there is, for example, a trusted business relationship between the publisher/affiliate that negates the need for this option. The company will provide UI for mediators to keep track of pending smart contracts and pending mediations as well as their coin earnings.

The company believes that competition between escrow agent mediators will drive the per contract fees very low as most smart contracts will complete without dispute. Part of this is driven by the high cost for a mediation to take place in the first place. The company plans to set a group of pre-defined arbitration cost models for easy comparison shopping of rates and fees. Our expectation is that successful transaction mediation fees will be below 0.5% but an active mediation dispute will warrant higher costs for each side. Of course the market will make the final call on where these fees will settle. Potential mediation fees have the added bonus of discouraging disputes over small amounts and promoting both sides working to mutually settle their dispute without resorting to mediation.

A usual transaction on the SMC chain will be a sending of cryptographically blinded number of coins to an address at a fixed time in the future with a delegation of power to mutate the transaction to a chosen escrow mediator and his public key. A mediator is not always required, as especially smaller valued agreements may not be valuable enough to require mediation. The smart contract will optionally contain an all or nothing mediation flag and a small transaction fee to the mediator in the case of a successful transaction and a record of the then agreed mediation fee. Should both sides perform the business contract satisfactorily or be able to independently work through any disputes, then the transaction will unlock at the specified time and pay the success fee to the escrow mediator and the balance of the funds to the funds recipient. Both sides can mutually chose to modify the smart contract as to time or value but must bring forward the mediator success fee (if there is one) for the subsequent transaction to be accepted as overriding the existing smart contract.

¹⁰ Windows, Mac, iOS, Android e.g.

¹¹ <https://opentimestamps.org/>

¹² Further references to client software should be assumed to encompass Windows and Mac desktop software as well as Android and iPhone apps.

Should a dispute not be settled, either side can submit a mediation challenge referencing the existing smart contract up to the time the contract expires. This will prompt the mediator to intervene and modify the existing transaction by delaying the transaction completion date to enable time to complete a mediation. Evidence will be submitted electronically to the mediator in a generalized format supported by the SMC desktop client and leveraging time stamped information, if any, captured at the time of the smart contract initiation with the desktop client. This data will be made available to the mediator via the mediator UI. The mediator will then mediate the dispute using the presented evidence. If the all or nothing flag was set in the initial smart contract then the mediator can only choose which party will receive 100% of the funds after the mediator pays himself the mediation fee as set out in the original smart contract. If the all or nothing flag is not set then the mediator will have the ability to reward any portion of the value of the total smart contract, after deducting the mediation fee, to each party at whatever percentage the mediator finds is fair.

Using a transparent blockchain to track the existence of previous agreements and whether those agreements required mediation while protecting company confidential information will allow provable reputation and trust to be built for both publishers and affiliates. Transacting in the SMC will lower transaction costs like wire transfers or credit card funding costs and remove the real risk of having funds locked up at a payment service provider. Having nearly infinite divisibility will make it possible to easily compensate an extremely complex web of affiliates and sub affiliates in a precise, timely, and inexpensive manner for even extremely small transaction amounts with trust that the payment itself meets the terms that were agreed upon.

The company believes that the SMC blockchain will be complimentary to additional new cryptographically related technologies entering the web commerce market. Companies like Apomaya, which are creating software tools and blockchains to lower fraud and malware in ad serving will have unique additional data about actions in CPA agreements. The company plans to become the defacto way to build better trust in affiliate marketing in the same way that Basic Attention T¹³ is attempting to bring additional trust and liquidity to the internet advertising market and both will likely be supported at many publishers and ecommerce sites.

Q2.2019	SMC DEVELOPMENT STARTED SEARCH, BUILD AND DEVELOP COMMUNITIES. OPEN ICO , AIRDROP, BOUNTY... PROMOTE THE BRAND, LOOK FOR COMPANIONS WITH SMC
Q3.2019	FIRST EXCHANGE LISTING END ICO. LISTED MERCATOX.
Q4.2019	UPDATE WEBSITE .SOFTWARE DEVELOPMENT KIT. BUILDING MOBILE APPS FOR IOS & ANDROID
	SECOND EXCHANGE
	LISTED ON THE 2ND EXCHANGE (TOP 10)
	Production mobile applications
Q1.2020	LAUNCH MOBILE APPS AND WALLET
	DEVELOP AND SUPPORT SOFTWARE FOR ETHC. EXPANSION THROUGHOUT GLOBAL

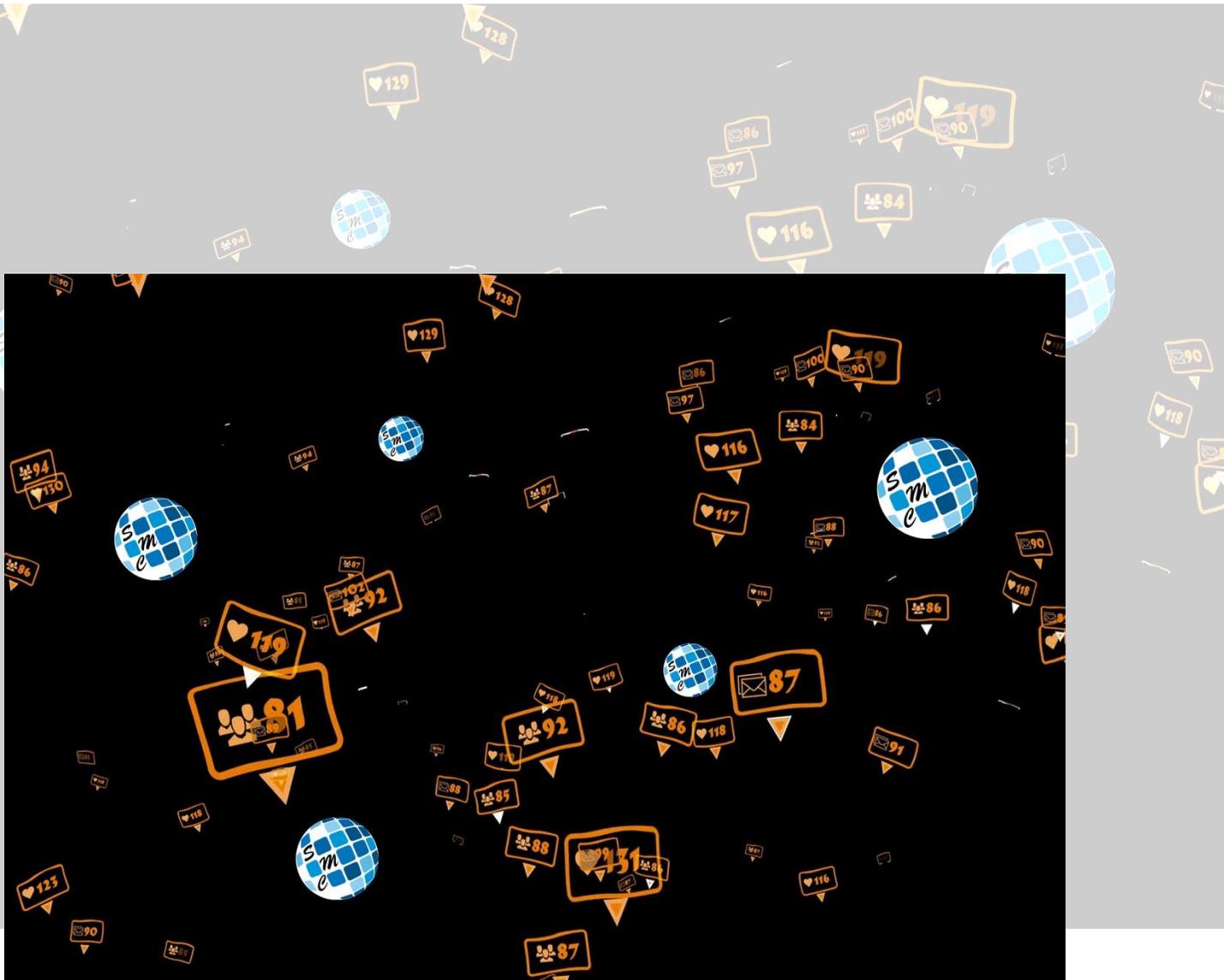
4. COMPETITIVE LANDSCAPE

The company faces various competitors. The primary competition and barrier to adoption is complacency as it exists in the current affiliate economy. Additionally there are attempts to bring blockchain's benefits to the affiliate economy by projects like <https://smc-project.online/> and RefT.

Traditional super affiliate networks like Adpump also attempt to address some of the shortcomings that SMC addresses. Further, with the acute interest in cryptocurrency,

blockchains, and ICO's, there are new start up ICO fundraising affiliates.

The company believes it is well positioned to succeed in this environment. SMC is focused on being a lightweight addition to the way that publishers and affiliates do business today in an attempt to ease adoption and proliferation. Other blockchain attempts seem to discount the difficulty of real world "Oracles" or the tools needed for an automatic blockchain to be able to enforce a smart contract. By limiting the scope of effort to the fundamental payment details and introducing an optional third party mediator, SMC creates concrete ways to build trust and to successfully complete smart contracts on a blockchain. Super affiliate networks do address some pain points but they suffer further from many of the same issues that the SMC



designed to simplify and make more liquid. Blockchain specific ICO networks or on chain affiliate programs targeted at only Dapps¹⁴ suffer from small and nascent markets. Finally, SMC will be able to extend our smart contract functionality to support Dapps and Lapps¹⁵ as those ecosystems become valuable.

Finally SMC has a team that knows the problems of affiliate marketing personally. This direct expertise and a deep desire to increase the efficiency and trust in affiliate marketing is a significant competitive advantage.

5. KEY TEAM MEMBERS

Daniel Fischer - CEO - has spend the past 11 years in the online digital marketing and retail sectors. Starting off his career with Highlight Media Group which is one of the world's leading SEO based affiliate conglomerates, he led a team of SEO specialist to spearhead the company's casino and poker directed websites to the top of the search engine rankings. From there he went on to heading the business operational side of the Betsafe Sportsbook product for the publicly traded Betsson Group AB, achieving all time highs in active players and revenue by introducing innovative, intricate marketing campaigns which not only driven acquisition but resulted in excellent retention/reactivation numbers for the active user base. Successfully launched Eypobet casino and Sportsbook from the ground up, as a founding consultant Vadim knows every single possible outcome of running a publishing operation, down to the licensing and regulation factors.

Serving as a director of North Factor Lounge Ltd. a lead generation group, he came back to his affiliate roots and founded the Celebrity Affiliates network, an innovative way to drive traffic through the means of influencers and celebrities through a very ingenious marketing funnel which is unique per each celebrity and publisher. To extend his customer reach and services portfolio, VS Entertainment was formed as a parent company to Celebrity Affiliates and Digital Commandos Marketing agency, which services clients from any niche of the online B2B world with solutions such as a mass SMS delivery platform, front and back-end development, content production and translation, web designs and more. Having cracked the code for high quality volume traffic, Vadim applied his know how to lastly create Gambling.com, an SEO website driving high value traffic and lead generation engine which has proven gold since its launch in September of 2017. Driving high volumes of quality traffic in regions such as UK, Australia, Germany, Scandinavia, Canada, South Africa, Japan for various products while at the same time supplying those publishers with B2B services he created a full service supply loop for his

¹⁴ Distributed Apps. Usually apps built on Ethereum or similiar blockchains - <https://blockgeeks.com/guides/dapps/>

¹⁵ Lightning Network Apps usually built on Bitcoin, Litecoin, or Chia - <https://lightning.network/>

clients which start with the acquisition of the customer, to maximizing their lifetime value along with bringing those customers back for more. Having worked for industry giants and not only founding but driving daily the operations of his thriving businesses, Vadim has a personal insight into the problems from both the perspective of the retailer/publisher as well as the affiliate, which make him an integral part of SMC's success.

Jual Schneider - COO - An award-winning crypto-entrepreneur, technology columnist, published author and TEDx speaker. A professional career beginning at the age of 14 and spanning two decades, Jason founded internet portal ZeoCities.com and non-profit LDKids. He was also a founding team member at RecordTV.com where he holds an international patent for the world's first internet-based DVR; and Perceptivel, A company that developed patented ECRM software for Fortune 500 Clients. A Technology Columnist with Indonesia's GlobeAsia Magazine for over 5 years, his writings have appeared in The Jakarta Globe, CHIP, DNA India, The Leela, The Goan and MansWorld Magazine, among others.

A thought leader in the cryptocurrency space, Jason has advised the Nation of Barbados, the Government of Goa, and multiple statewide political parties on IT and Education policy. He was the first speaker at TEDx Panaji in 2017, and was the keynote speaker at the Techiescoops Crypto-Conference held at Goa Engineering College this February. He has also been a featured speaker at events at hosted by the Computer Society of India, Goa Chamber of Commerce/Industry, Goa University, BITs Pilani University, PayU Upstart and 91Springboard. His awards include first place at the Seaside Startup Summit 2018, Startup@Singapore Award, the First National Technopreneurship competition Award(Singapore), Childnet International Award (UK) and has won the "Best Business Plan" award from Sybase at the Global Entrepreneurs Challenge at Stanford University, California. Jason has also been featured in international outlets like the BBC, LA Times, Associated Press, MTV, Channel NewsAsia and national outlets like India Today, ZeeTV and the Times of India.

Micheal Schmitz - Chairman and interim CTO - The youngest NASDAQ CEO in history, Gene is a vital part of the SMC team, controlling all development and technical aspects of the project. He holds a patent for his work with HTTP stream interception technology and co-inventing internet ad blocking. From January 1998 to June 2002, Gene was co-founder, President, Chief Executive Officer, and a Director of EMusic. A highly visible advocate for the distribution of music on the Internet, he was featured on the cover of Forbes Magazine as a member of the July 1999 E-Gang. Hoffman led the acquisition of EMusic by Vivendi-Universal in June 2001. Prior to EMusic, Hoffman was Director of Business Development and Director of Interactive Marketing of Pretty Good Privacy. Hoffman joined Pretty Good Privacy after it acquired PrivNet, Inc., an Internet privacy software company, he co-founded, and was Director, and Executive Vice President.

Subsequent to eMusic, he served as co-founder, Chairman and Chief Executive Officer at Vindicia. Hoffman led Vindicia from three co-founders in 2003 to a team of 120 people with offices in London, Singapore, Rio de Janeiro, and Silicon Valley. At Vindicia, Gene co-invented tools that retain 20%-40% of subscribers that would otherwise be lost to passive subscriber

churn. Vindicia provides subscription billing services to DirecTV, the BBC, Telstra, the NBA, OnStar, Lifelock, Motley Fool, the NFL, Dollar Shave Club, and Zillow, among others. In September 2016, he orchestrated the sale of Vindicia to Amdocs. Given the aforementioned experience and track record, nobody is better suited to spearhead the technical aspects of this project.

Valtteri Serimaa - Founding Partner - Valtteri Serimaa came into the digital marketing and affiliate space as the founder and CEO of Raccoon Media Ltd. The company is a full-service digital media agency specialising in driving quality leads in high volumes for various verticals while figuring out the key to reaching the desired audience both nationally and globally. Over 5 years of operation, Valtteri developed Raccoon Media not only into a B2C juggernaut in their main sectors of operation such as binary, online gaming and dating, but have also expanded into providing B2B solutions such as content production, translations and consulting for the same publishers he drives valuable traffic for.

In 2015, acting as the founding investor of Protectpipe OY, a Finnish micro biotech company that produces a microbe solution that removes organic waste from the pipe systems in a natural way, he also entered the realm of entrepreneurs. Protectpipe is now successfully operating in Russia, Finland, Estonia along with the UAE while steadily increasing their revenue and client portfolio. Following the Crypto and Blockchain boom, he submerged himself into studying about this world which resulted in the foundation of ICOnews.com, an ICO marketing SEO website which considering its early life span already ranks 1st for some very high value converting keywords in the blockchain world. With his marketing prowess, extensive network of direct publishers and entrepreneurial mindset Valtteri not only understands both sides of the affiliation industry but thrives in it.

Jami Söderström- Founding partner - An entrepreneur for half a decade, Jami has spent 4 years blazing trails in the affiliate marketing industry. A founding partner at marketing companies Triplex Trading Ou and Digital Assets Ou, he has grown those businesses from small regional outfits to the behemoths they are today. In the process, he has gleaned a thorough insight into the range of problems plaguing the affiliate marketing industry and has deep insight on solutions needed to revolutionize the industry and build trust between publishers and affiliates. On the road to becoming a force to reckon with in the affiliate industry, he has learnt through experience how power structures between the publisher and advertiser can change and how to mitigate the negative aspects of these power fluctuations.

Holding a Master's degree in Digital Marketing from Aalto University, Helsinki, Jami worked at Duolog Oy, Finland overseeing their recruitment process and the training of key account managers, and employees while simultaneously ensuring rapid growth of the business. Later, he worked at OP Corporate Banking (earlier OP-Pohjola) representing solutions sales for B2B and B2C customers in the insurance industry on a commission-based compensation. This experience was key in germinating the ideas he has around building scalable businesses around affiliation and commission-based models. Jumping into the crypto industry in 2017, he founded (and was a partner in) ICOTNews.com, an ICO marketing agency, that is now one

of the most popular resources for ICO news on the Web. His experience in the Crypto industry coupled with his other affiliate marketing experience has made him ideally suited for his role at SMC.

6. T LAUNCH

The initial t will be an ERC223/ERC20 t on Ethereum called AEC.

AEC t will be redeemed 1:1 for the SMC t on the publicly launched blockchain. We plan to raise a maximum of \$50 million and a minimum of \$25 million.

1 ETH will equal XXXXX

SMC T contract address TBD

T launch date and time TBD block number 5,3XX,XXX

T launch time frame TBD (based on Block Number 5,1XX,XXX)

T DISTRIBUTION

40 million SMC will be allocated to existing investors and the team. 40 million SMC will be held by the company on its balance sheet for future fundraising to support ongoing development of SMC through both compensating employees with ts and selling SMC to raise additional funds to support development. 20 million SMC will be subject to a 3 year lock up agreement while the remaining 20 million SMC will be subject to a one year lock up agreement.

40 million SMC will be sold to purchasers in the pre-ICO round and the ICO depending on discounting for early participation. These ts will be freely tradeable.

Once the ICO is complete, the total number of outstanding ts will be 120 million SMC. No more SMC will be created once the ICO is complete.

7. BUDGET ALLOCATION

1. Crowd Sale 65%
2. Partners 5%
3. Marketing 20%
4. TEAM 10%

8. RISKS AND DISCLOSURES

This ICO is not available for citizens or residents of the United States of America.

The affiliate economy has been hesitant in the past to adopt electronic contracting practices. There is no certainty that this status quo will change and that SMC will be widely adopted.

Developing blockchain technology is complex. There are no guarantees that the company will not have errors or security issues with its public blockchain that could lead to a loss of trust in SMC.

The success of SMC is largely reliant upon our founding team. If we should lose the services of Vadim Fedotov, Jason Fernandes, Gene Hoffman, Jami Söderström or Valteri Serimaa, we could be set back significantly.

Mr. Hoffman is leading the technology architecture and recruiting initial senior development staff. Upon putting a team in place he will cede day to day architecture to the team. He will remain on the board of directors and available on an as needed basis to guide product development. Mr Hoffman will be compensated during his entire service to the project.

The regulatory environment for both ICO ts and affiliate marketing is largely variable and somewhat uncertain across the globe. Regulatory shifts in major markets for either regulatory environment could have a negative effect on the company's ability to successfully deploy and build value in SMC.

One of the competitive blockchains or networks could take a majority of the market for affiliate ts and our adoption would be limited. The best outcomes for SMC presuppose the network effects of large adoption by all parties including publishers and ecommerce sites, affiliates and sub affiliates.

We may need to raise additional capital to fund ongoing development and deployment of SMC. The company has retained an allocation of ts for this purpose but there is no guarantee that we will be able to sell those ts in the future or that they will be sufficient to fund our ongoing operations.

9. SMC FAQs AND DEFINITIONS

Affiliate - Directory publishing is a specialized genre within the publishing industry. These publishers control mailing lists, telephone books, SEO websites, Google Avrets, facebook and other social media marketing, tele sales amongst others with the intent to find a buying customer for the advertiser.

Advertiser – A retail merchant or retailer, sells merchandise to end-users or consumers (including businesses), usually in small quantities. A shopkeeper is a retail merchant.

Affiliate Marketing - is a type of performance-based marketing in which a business rewards one or more affiliates for each visitor or customer brought by the affiliate's own marketing efforts

Affiliate Network - An affiliate network acts as an intermediary between publishers (affiliates) and merchant affiliate programs. It allows website publishers to more easily find and participate in affiliate programs which are suitable for their website (and thus generate income from those programs), and allows websites offering affiliate programs (typically online merchants) to reach a larger audience by promoting their affiliate programs to all of the publishers participating in the affiliate network.

CPA - Cost per acquisition or cost per action. This usually refers to a bounty paid to an affiliate when an end user does something like opening an account and funding it with at least a minimum amount of money.

Dapp - Distributed application. These are usually applications that run in a distributed manner on a blockchain like Ethereum. Cryptokitties¹⁶ was one of the early and recently popular Dapps on Ethereum

Lapp - Lightning network application. Applications are being built on the nascent Lightning Network that supports cheap and quick cryptocurrency exchange for Bitcoin, Litecoin, and soon Chia.