**Global Entrepreneurship Lab 2018-19**

**Company**: Eden Holdings (Venture Capital and Start-Up Incubator)

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**Project Type**: VC/Fundraising (Security Token Offering)

**Location**: Manilla, Philippines

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### Company Description

- Eden is a Singaporean holding company (located in the Philippines) that invests in and incubates early stage tech startups around the world.
- Currently holds ~25 portfolio companies in the Philippines, BVI, Singapore, Hong Kong and USA.

### Project Objectives

- Eden is interested in using a Security Token Offering (STO) as a medium to attract more foreign capital into the Philippines (vs. an IPO) while reducing the costs and time for a raise.
- MIT team was focused on solving how Eden or one of its portfolio companies would raise money using an STO, codifying the key fundamentals of raising capital through tokenization, and finding a partner ecosystem for the STO.

### What is Security Token Offering (STO)?

- Security tokens represent a traditional private security interest, a share in a company, an LP interest in a fund/trust or a member share in an LLC, or any asset with inherent value.
- STOs are different from Initial Coin Offerings (ICOs), which are unregulated and use ‘Utility Tokens’ that provide access to a project’s product/service with no tangible claim to an asset or equity.
- A company launching a security token offering (STO) is offering security tokens at a set price to the open market and then allowing it to be traded on secondary markets.
- In addition to the features of a traditional share, security tokens utilize smart contracts and blockchain technology to provide all the legitimacy of normal asset ownership with the efficiency and security benefits of cryptocurrencies.

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**Overview of STO Playbook**

1. **Plan & Structure**
   - Much like an IPO, an STO’s characteristics must be decided on by the issuing company.
   - Variables such as voting rights, share buybacks, etc. are stated up front in the offering.
   - The structure is further complicated by non-traditional equity such as VC funds or real estate.

2. **Ensure Compliances**
   - Since STOs qualify as a security, companies and investors must follow a stricter set of rules vs. ICOs.
   - Prior to the STO, the company must ensure it has filed the required info with agencies.
   - In addition, issuers must be prepared to verify and comply with rules for investors based on their location.

3. **Issue the token**
   - Token issuance is best done through one of the many platforms available.
   - These platforms range from a DIY model to a white glove service involving transfer agents, KYCAML, and marketing services.
   - At a minimum, issuing the token involves registering the ticker and creating the token on the preferred blockchain.

4. **Pre-sale and Launch**
   - Most STOs are not directly listed on the open market, but go through a presale first.
   - The presale allocates a number of tokens (usually at a discount), but does not issue them yet.
   - Successful presale will commit 2050% of the available tokens, after which the crowdsale will sell the rest.
   - The crowdsale is set at the actual offering price for the token.

5. **Investor Management**
   - After the launch and lockup period, the token is offered publicly listed on the public markets through one or more exchanges.
   - Some issuance services have built-in investor tools like a dashboard and transfer services.
   - As for regular investors, the company must continue executing the terms in the contract such as dividends and shareholder votes.

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**Table: Security Token Offering (STO)**

<table>
<thead>
<tr>
<th>Description</th>
<th>Voting Rights</th>
<th>Dividends</th>
<th>Buybacks</th>
<th>Minimum Holding Period</th>
</tr>
</thead>
<tbody>
<tr>
<td>Company structure &amp; Type</td>
<td>- [LLC, INC, LP, etc] -</td>
<td>- Transfer agents available -</td>
<td>- KYCAML services available -</td>
<td>- 5 years -</td>
</tr>
<tr>
<td><strong>Country of Incorporation</strong></td>
<td><strong>Base of Operations</strong></td>
<td><strong>Token Creation / Minting Location</strong></td>
<td><strong>Exchange Listing Location</strong></td>
<td><strong>Investor Location</strong></td>
</tr>
<tr>
<td><strong>Services</strong></td>
<td><strong>Taxes and Legal Responsibilities</strong></td>
<td><strong>Employment Laws</strong></td>
<td><strong>Regulatory Requirements</strong></td>
<td><strong>No direct securities regulations for morning tokens</strong></td>
</tr>
<tr>
<td><strong>No direct securities regulations but need to comply with the regulations of the Exchange to be listed on.</strong></td>
<td><strong>No direct securities regulations for morning tokens.</strong></td>
<td><strong>No direct securities regulations for morning tokens.</strong></td>
<td>- Securities Regulations -</td>
<td>- Investor Protection Laws - - KYCAML - -</td>
</tr>
</tbody>
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