

EXPRESS INVESTMENT EVALUATION OF ICO PROJECT



bitclave.com

ICO 08.11.2017



Low
Fraud Rate

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digital assets rating

Digital Rating Agency
digrate.com

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The DigRate team expresses its respect to all enthusiasts of the cryptocurrency world.

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- BitClave was founded in 2016 to rethink and rebuild the relationship between businesses and customers based on the trust and transparency of smart contracts. The company plans to transform the Internet advertising market, which is currently monopolized by giant corporations and controlled by intermediaries.
- One of BitClave's main innovations is a distribution system based on the BitClave Active Search Ecosystem (BASE). BASE is able to store and manage enormous amounts of data, including customer activity records. Each relevant search query earns users Consumer Activity Tokens (CAT). Tokens can be used to pay for purchases at any store where they are accepted.
- The BitClave developers say their open source database has the potential to become the most advanced affiliate rewards program, allowing customers to receive rewards from product searches.

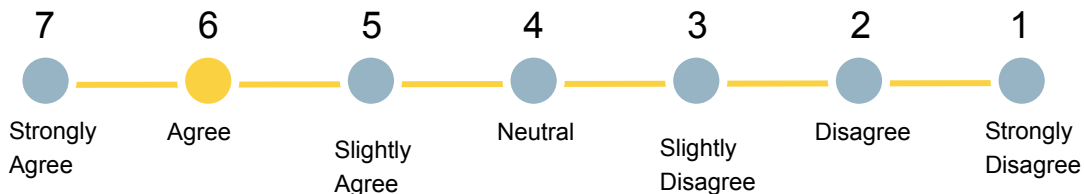
- BASE is part of a new generation of search engines that connects business and users directly and has the potential to change the rules of Internet advertising. Today, the main players on this market are Google, Facebook, Amazon, etc. Every time a user searches for something on the Internet, these services collect information about the user and sell it on to companies.
- The BASE search engine eliminates intermediaries and connects buyers and sellers directly. The user decides for themselves what data to disclose and to what extent. In return, they receive rewards from companies in the form of tokens.
- The blockchain system guarantees complete anonymity and security of user data. Companies gain access to their target consumers and can reduce marketing costs. The company claims their system will make Internet searches safer, more transparent, and mutually beneficial for all market participants.

Project Concept



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Does the problem the project plans to solve really exist?



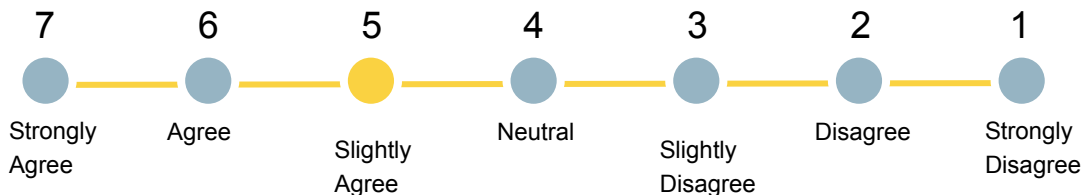
COMMENT:

The Project Team plans to resolve the problems of intermediaries, anonymity, and diversified user assessment in Internet advertising. The company wants to transform the advertising market and eliminate intermediaries (companies such as Google, Facebook, and Amazon). Web anonymity is a key issue; the legal and technical framework for the protection of users' personal data is now being actively developed. There is reason to believe that within two years the issue of commercial use of personal data received from third parties will no longer be relevant.

Another problem that the project plans to resolve is the security of user data. Nowadays, with hacker attacks on the rise, data security is becoming more urgent. Google and other corporations store data in their own databases, where third-party access is prohibited. However, this method of storing data is not completely secure. The team claims that their project will use the blockchain system as both a storage mechanism and to distribute this data among users, which should resolve the issue of safety.

Indeed, diversification of user assessments is an important trend, which is set to develop over the coming years. Different users represent a different value to advertisers. Qualitative segmentation of users is able to optimize advertising budgets and make offered services more relevant for each individual.

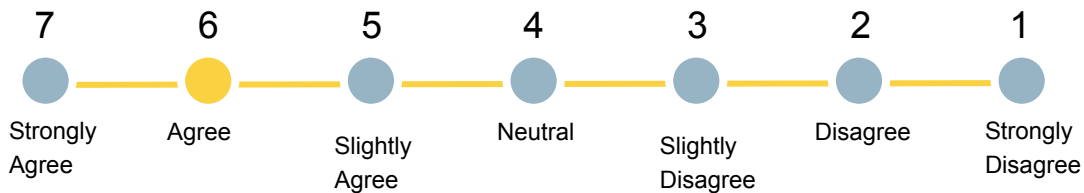
Is the company's product unique?



COMMENT:

Technologies in this field are just beginning to develop, but the company already has a competitor with a similar solution the Datum project. The project team specifies that this is not a direct competitor and they expect to use slightly different data, but Datum also plans to work with personal information from users using the Distributed Ledger Technology. Datum has already released an alpha version of its app, BitClave should provide it in the near future.

Does the company understand its competition?



COMMENT:

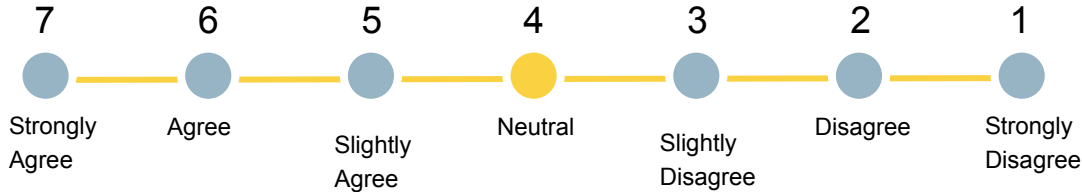
As mentioned in the whitepaper, the company's main competitors are Google, Facebook, and Amazon. These companies also provide search engines and profit from processing user data, but do not use blockchain technology. Other potential competitors have not been mentioned by the company, however, in communications with the team, the company showed understanding of the competitive environment.

Business Model



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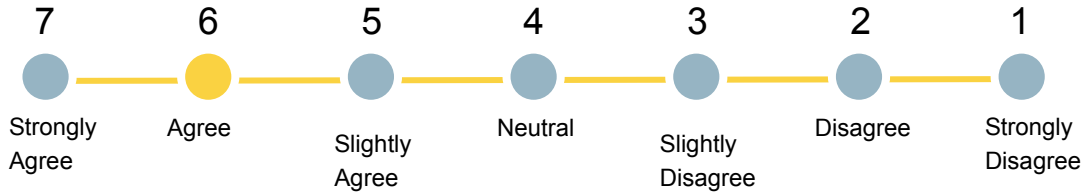
Is blockchain technology a solution to the market problem?



COMMENT:

Blockchain technology could be a solution to the problem of data security and integrity, but it is not entirely clear whether this technology will be successful in resolving the problem of intermediaries on the Internet advertising market and in qualitative analysis of personal requests. As it was said earlier, the market has already developed, being dominated by global corporations, and functions properly without blockchain technology.

Has the project laid out its operating business model?



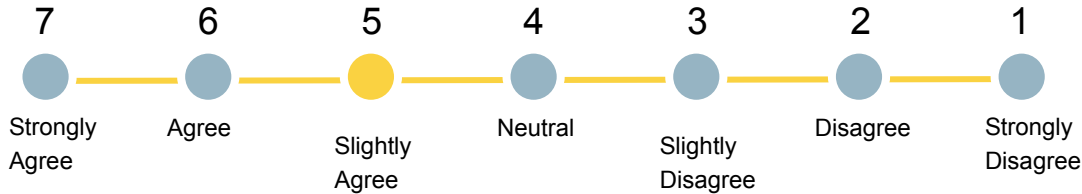
COMMENT:

The company says in its business model that it intends to use the BASE search engine, which eliminates the need for intermediaries, connecting buyers and sellers directly. The user decides for themselves which data to disclose and to what extent. In return, they receive rewards from companies in the form of tokens. Depending on the value of the user and product, the amount can reach as high as USD 500.

Blockchain technology ensures the complete anonymity and security of user data. Companies would gain direct access to a target consumer and would thus be able to reduce marketing costs.

The search process is different from the standard approach in that the user makes a request and receives personalized offers, without having to surf the Web and sort through spam. Currently, users are able to use search engines such as Google for free, effectively in exchange their personal data, regardless of their level of prosperity, place of residence, and other socioeconomic indicators. These search engines sell the data depending on demand. In the BASE system, these criteria would be taken into consideration, which, for example, would result in the value of information of American citizens being much higher than that of an Indian.

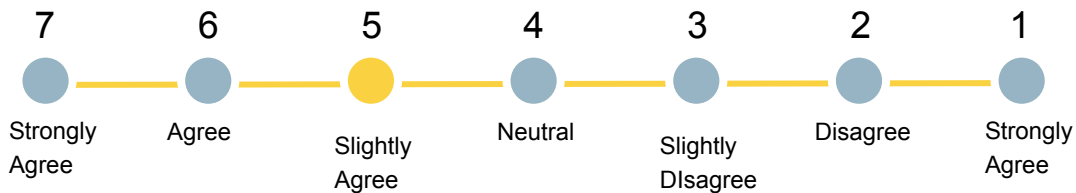
Is there already a working product that can be sold to customers?



COMMENT:

The developers say they have already developed an alpha version of the product (the DigRate team was offered to test it), which they plan to release before the ICO, with a launch date for the final product in 2018.

Is there a clear roadmap and financial plan?



COMMENT:

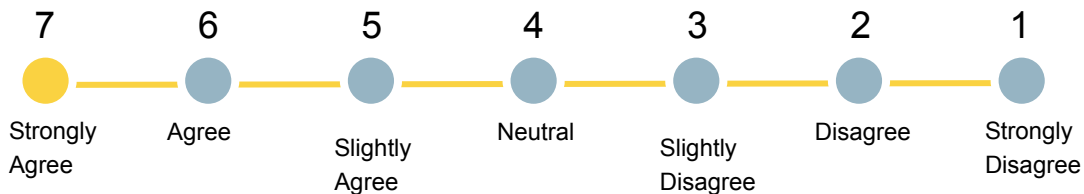
A thorough roadmap is available on the project website <https://www.bitclave.com/en/>. However, there is no extended financial plan, with only information on the distribution of tokens provided.

Tokens



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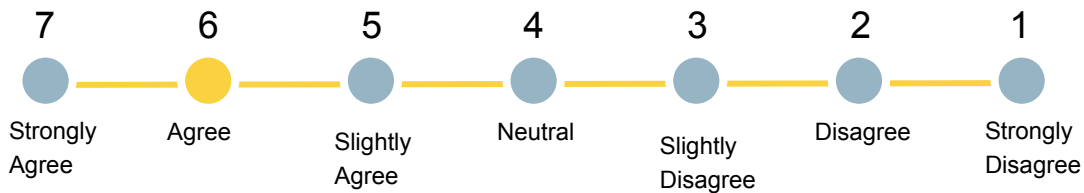
Is the issuance of tokens limited?



COMMENT:

The company plans to issue 2bn tokens, with 1bn tokens released for the ICO stage, and a planned token value of USD 0.10, thus bringing the fundraising target to USD 100mn. The remaining tokens will be released to the market by portions, according to the plan defined in the White Paper.

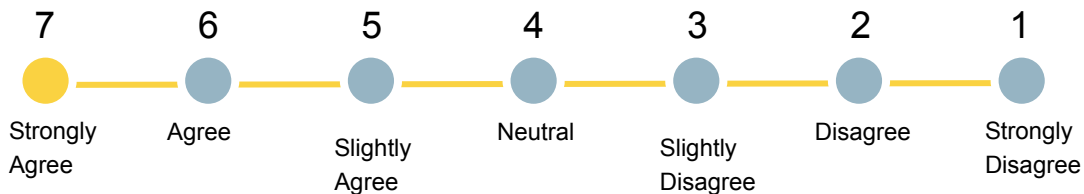
Is there an asset base that would protect current holders from token devaluation?



COMMENT:

The company's main asset is the knowledge and reputation of its team. Project tokens are secured by the cost and value of the information obtained from Big Data analysis. Despite the fact that this data do not have fixed values, there is a high probability that the cost of data sets will grow with time.

Do the project participants have clear motivation for owning the tokens?



COMMENT:

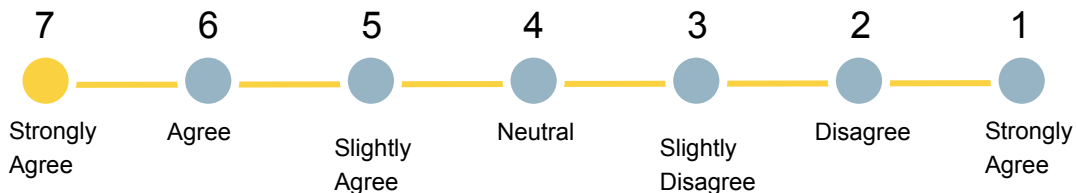
All activities in the ecosystem are to be conducted using activity tokens, managed by companies and users to exchange information, services and online goods. Thus, the tokens are to be used inside the ecosystem to create smart contracts between businesses and users.

Legal Documentation



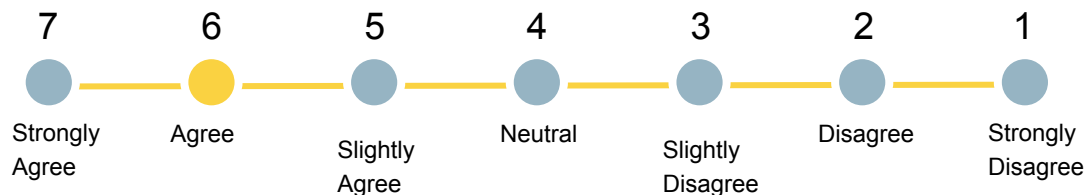
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Is the company's legal structure transparent?



COMMENT:

In communications with the team to complete our evaluation, the company said its tokens are issued by the Singapore-based BitClave Pte Ltd. company. Operating activities are conducted in the US by its subsidiary Bitclave Inc, with the company headquarters in Silicon Valley, where all the founders live. The team provided company registration numbers.

Has the company taken preventive measures to avoid problems with ICO market regulators?**COMMENT:**

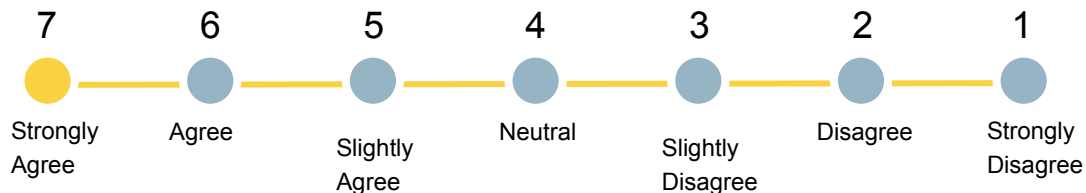
During the course of our communications with the project team, we learned that Colley, Schiff Hardin and DLA Piper provide legal support to the company. Accredited investors from the United States are to be permitted to participate in the ICO. Information on preventive measures to avoid problems with ICO market regulators has not to this date been disclosed on the project website; the team has no plans to restrict the rights of the tokens purchase of Chinese investors.

Media Environment



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Is the project popular on social networks and in thematic communities?



COMMENT:

The project has built a massive following on social media, with few other projects boasting such an extensive subscriber base and enthusiasm.

Project subscribers on popular social networks*:



23,189
subscribers



33,769 views



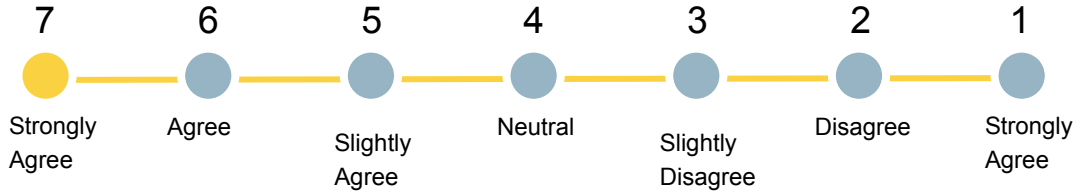
18,300
subscribers



3,576 members

**as of 10/22/2017*

Is the project widely discussed in blockchain news resources?



COMMENT:

All top blockchain and business resources have written about the project. The project is very popular and long-awaited.

News resources that have published articles about the project:



THE COINTELEGRAPH

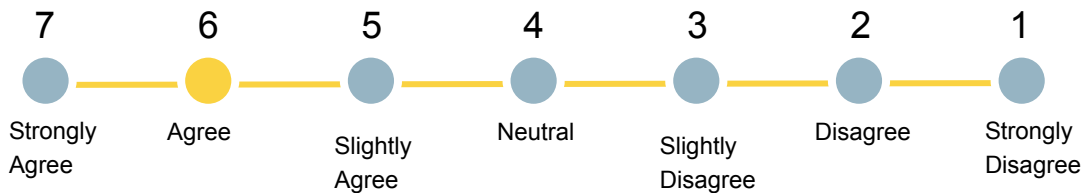


Team



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Does the project team have extensive experience and a strong track record?



COMMENT:

The project managers all come from large and well-known companies, they have worked with companies such as eBay, Microsoft, and Informatica. The rest of the team members are less established in the industry.

The project team consists of 20 engineers and an advisory board, which includes experts in information security, payments and blockchain technology.

Team leaders:

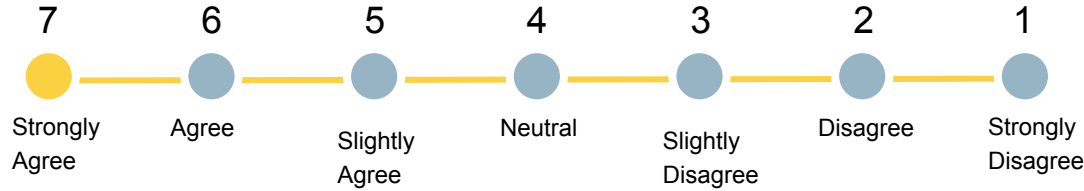
- **Alexander Bessonov - CEO:** Senior Executive with over 20 years of experience in the security, privacy and blockchain industry. Former CSO of LGE.
- **Patrick Tague - CTO:** Associate Research Professor in the ECE Department at CMU. Expert in mobile, embedded, and wireless security.
- **Emmanuel Owusu - Chief Architect:** Ph.D. from CMU. Expert in the fields of security, blockchain, Internet of Things, public policy and privacy.

Project Support



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Does the project have a strong advisory board?



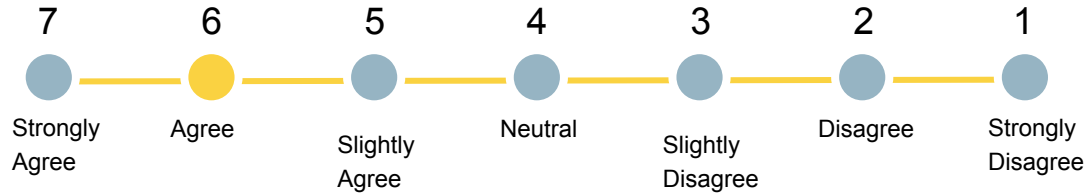
COMMENT:

The project's advisory board includes professionals occupying top positions in the IT industry, including leaders from TenX, ICON, QTUM, and Gambit Capital.

Key members of the advisory board:

- **Gerald Bishelt** - Chief Information Security Officer (CISO) at LogMein. Earlier CISO at Demandware. Board member of the Infragard Member Alliance Boston branch.
- **Kevin Doher** - Has held executive positions in Microsoft, Yahoo, Weather.com and GoDaddy.
- **Balahi Ganeshan** - Serial Entrepreneur, CEO of Privacera, expert on privacy and security.
- **Charlie Liu** - Head of Global Innovation and Partnership Department at Sony Mobile Communications. Technology expert.
- **George Totev** - Head of Risk and Compliance at Atlassian.

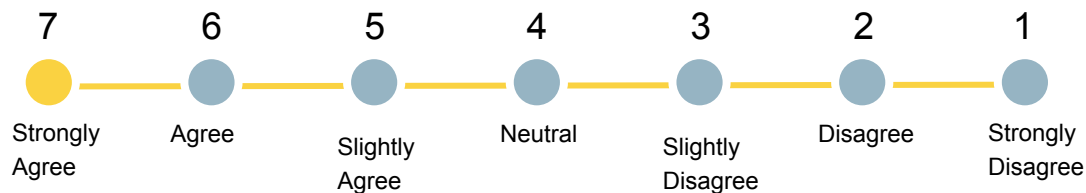
Are the project's partners large and well-known?



COMMENT:

The company says there is significant interest in its decentralized search engine from several other blockchain projects, including Bancor, with whom it has signed a partnership agreement. The project team has reported that is adding NEO and QTUM to its list of partners.

Is the project attracting large VC investors?



COMMENT:

At the time of our evaluation, there had been no announcements of VC investors in the project. However, the company raised USD 16,5mn during pre-sales, suggesting large investors participated in the offering, which the team later confirmed, stating that it has reached agreements with institutional investors.

Conclusion



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Criteria	Score
Does the problem the project plans to solve really exist?	6
Is the company's product unique?	5
Does the team understand its competition?	6
Is blockchain technology a solution to the market problem?	4
Has the project laid out its operating business model?	6
Is there already a working product that can be sold to customers?	5
Is there a clear roadmap and financial plan?	5
Is the issuance of tokens limited?	7
Is there an asset base that would protect current holders from token devaluation?	6
Do the project participants have a clear motivation for owning the tokens?	7
Is the company's legal structure transparent?	7
Has the company taken preventive measures to avoid problems with ICO market regulators?	6
Is the project popular on social networks and in thematic communities?	7
Is the project widely discussed in blockchain news resources?	7
Does the project team have extensive experience and a strong track record?	6
Does the project have a strong advisory board?	7
Are the project's partners large and well-known?	6
Is the project attracting large VC investors?	7

AVERAGE SCORE

6.1



RATING SCALE OF INVESTMENT ATTRACTIVENESS

39

A1

High

High probability of investment return, low sensitivity to market conditions.
Score: 6.1-7

A2

Satisfactory

Medium-to-high probability of investment return, considerable sensitivity to market environment.
Score: 5.1-6

B1

Satisfactory

Considerable risk exposure, high sensitivity to market conditions.
Score: 4.1-5

B2

Low

Low development potential, highly speculative investment.
Score: 2.1-4

C

Low

High default risk in the short term.
Score: 0-2

D

Low

In default with little-to-no prospect for recovery

How do we evaluate the Fraud Rate?

Advantages:

- The project team has a strong reputation in the IT industry
- The project has a strong advisory board
- The public has shown considerable interest
- Many articles about the project have been written in popular blockchain news resources

Disadvantages:

- There is no working product in open sources
- Company will have to face industry giants in its competitive struggle

LOW
Fraud Rate

High probability of investment return, low sensitivity to market conditions

The company is positioning itself against global tech giants such as Google, Facebook, and Amazon. The project team has an interesting idea, but there remain questions as to whether it can be implemented in practice.

Quotation from the White Paper: "The formation of the real value of the ecosystem will take some time □ this requires attracting a sufficient number of retailers and users." The process of attracting retailers and users can last a long time, and it may even turn out that users and retailers will not be useful customers, however, the idea itself and company's achievements may be in demand and may interest the largest market players, such as Google, etc.

The project has been promoted in all the top media outlets and social networks, with IT industry professionals behind it, which can stir excitement around the CAT tokens in the short term. In the long term, the project is exposed to significant risks, as the challenge of going against Google and Facebook in the Internet advertising market is large, although a promising start-up can be acquired by these companies.

What can be improved?

1. Provide a clear roadmap with a detailed action plan for the development of the BitClave Project.
2. Disclose the financial strategy of the project.
3. Release an alpha version of the product that buyers and sellers can test.
4. Disclose the cases of successful use of the company's product in detail.

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