

EXPRESS REVIEW OF ICO PROJECT



Hedera™
Hashgraph

hederahashgraph.com

ICO: 2018

MEDIUM
Quality Rate

AVERAGE SCORE

5.1 / 7.0

01.05.2018

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

PROJECT CONCEPT TEAM COMMUNICATION	
BUSINESS MODEL THE TECH PROJECT SUPPORT TOKENS JURISPRUDENCE	



Whitepaper
KYC / Whitelist
Terms and Conditions
Token Sale Agreement
Privacy Policy



ICO dates	TBA
Token	SAFT
Price	TBA
Bonus	TBA
Soft cap / Hard Cap	TBA
Platform	Own
Accepted	TBA

CONCLUSION: Hedera Hashgraph is a platform for implementing a new form of distributed consensus to ensure secure collaboration and online transactions for people who do not know each other. The project attracted \$ 18 million during the closed pre-sale. Testnet was launched and positive network testing results were received in April 2018. Hashgraph is an extremely promising project with a high potential for access to traditional financial markets due to the high transaction velocity (equal to the velocity within Visa system), low transaction costs (no proof-of-work principle), and an increased level of security (achievement of "asynchronous Byzantine Fault Tolerance"). Considering the tech expertise of the founders and the capabilities of Swirdls Inc, there is a high probability that the innovative idea will be successfully implemented. But Hedera Hashgraph is in the initial stage of product development and preparation for ICO now: the launch time of the platform is unknown, the stages of development and the economy of the project are not described, and the team has not worked out important legal aspects.

Hedera Hashgraph is a new and revolutionary version of the blockchain. A blockchain is like a tree that is continuously pruned as it grows - this pruning is necessary to keep the branches from growing out of control. In hashgraph, rather than pruning new growth, it is woven back into the body.

The hashgraph is DDoS resilient as it empowers no single node or small number of nodes with special rights or responsibilities in establishing consensus. The system allows to strengthen security, to counteract DDOS attacks and fraud while transmitting information, according to the project team. The Hedera hashgraph platform will be governed by up to 39 renowned enterprises and organizations, across multiple industries and geographies - the Hedera Hashgraph Council. Its licensing and governance model protects the community by eliminating the risk of splitting, guaranteeing the integrity of the codebase, and providing open access to the protected core. Periodically, Hedera may make payments to the Governing Members to reward them for their role in governance. The fees that are collected by Hedera are divided between incentive payments and dividend payments, as determined by Hedera.

Hedera provides users with the possibility of both anonymous and authorized participation in the system, with certain limits for unauthorized users, such as the inability to receive tokens through the official software.

Criterion	Score
PROJECT CONCEPT	
Does the problem the project plans to solve really exist?	
Is the company's product unique and monetized in the market?	6.0 / 7.0
Has the team identified its competitors and its advantages over them?	
Is the project's solution significantly different from existing solutions?	
BUSINESS MODEL	
Has the project laid out its operating business model?	
Is there a clear roadmap?	4.5 / 7.0
Has the team presented a detailed financial plan for revenues and expenses?	
THE TECH	
Is blockchain technology a solution to the market problem?	
Is there already a working product?	4.8 / 7.0
Has a safety audit of the source code been provided?	
Has the source code been published on GitHub?	

Criterion**Score****TEAM**

Have the project founders already implemented a similar successful business?

Are the project founders well-known, with established reputations in their professional fields and/or in the blockchain field?

5.0 / 7.0

Does the project team have enough experience to implement the project?

TOKENS

Is the issuance of tokens limited?

Is there mechanism that would protect current holders from token devaluation?

4.7 / 7.0

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

PROJECT SUPPORT

Do the competencies and experience of the advisory board members meet the project goals?

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

4.8 / 7.0

Is the project attracting large VC investors?

Criterion**Score****COMMUNICATION**

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

Is the project widely discussed on blockchain news resources?

6.0 / 7.0**JURISPRUDENCE**

Is there a clear legal structure? Is it transparent?

Have tests been passed that determine the token is not a security?

Is there an AML policy? Does the company have KYC procedures for token purchases?

Does the project provide tools (for example, the use of escrow) that would guarantee the return of investments if the stated usage of funds is not followed?

4.9 / 7.0

Is there a SAFT, a detailed contract/offer, and/or agreement for the token sale?

Is there a detailed Privacy Policy and policy on the processing and storage of users' personal data?

Has the team taken into account the legal risks of an ICO?

How do we rate the quality of the project?



ADVANTAGES

- The team has studied the competitive landscape and described the project's competitive advantages.
- There is a clear project development strategy.
- The project is popular on social networks and in thematic communities.
- The founders and leaders of the project are recognized professionals in their fields and in the blockchain industry.
- The project's partners are large and well-known.

MEDIUM
Quality Rate



DISADVANTAGES

- Closed access to the test network
- There is no roadmap, financial plan and ICO details.
- The project economy is described in general terms.
- It can take several years to debug and test the technology and network.
- Low speed and quality of project's team feedback.

Hedera introduces a new approach, in which the achievement of a consensus occurs via the “gossip” protocol

THE PROJECT CONCEPT: [Hedera Hashgraph](#) is platform for implementing a new form of distributed consensus to ensure secure collaboration and online transactions without the need for a trusted intermediary for people who do not trust or do not know each other. Hedera introduces a completely new approach allowing all platform participants vote to confirm the transaction in order to reach a consensus on the performance of transactions via the "gossip" protocol (computer-to-computer communication protocol using random selection of participants at a specified frequency, i.e. each computer randomly chooses another and shares with him fresh "gossips"). Thus, it eliminates the possibility of scamming as well as the need for intermediaries , since all users of the platform are actually intermediaries for each other.

BUSINESS MODEL: The strategic management of the Hedera Hashgraph platform will be carried out by 39 leading in their industries companies (names are not disclosed) with absolutely equal shares (2.6% each). The Hedera model is based on a conflict-free consensus (open consensus) with a closed management model. This division of governance is designed to ensure continuous decentralization over time. The following sources of revenue are indicated in the business model of the project: the fee for using the platform services and transfer commission. The financial plan of the project, roadmap, the size of commissions and the cost of services are not disclosed.

Hedera Hashgraph is positioned as an alternative to large blockchain networks - Bitcoin and Ethereum

MARKET AND COMPETITION: Hedera Hashgraph is positioned as an alternative to large blockchain networks - Bitcoin and Ethereum. The system will allow to conduct the number of operations per second, comparable to the number of transactions in the VISA system, according to the team. The technical paper presents the results of testing network performance for various combinations of node numbers and their distribution throughout the world. Tests demonstrated the network capacity of up to 500 thousand transactions per second. Unlike traditional blockchains, Hedera is much faster and has a lower commission for transactions by using proof-of-stake and reducing communication costs, which are higher for networks using the proof-of-work principle. Smart contracts support with the ability to transfer libraries of various platforms without changes and the ability for developers to create applications without a license, makes Hedera Hashgraph a more profitable and convenient platform over its direct competitors.

TEAM AND PROJECT SUPPORT: The project team consists of experienced software developers with already implemented projects, designers, a lawyer and a marketer. Leading developers of the project are Leemon Baird and Mance Harmon, who have been carrying out various projects for several years, including Swirlds.Inc, a platform for creating programs on a distributed consensus algorithm. Leemon Baird is the inventor of Hashgraph with a distributed consensus algorithm. He participated in the development of startups and projects related to machine learning.

The project has already attracted \$ 18 million during the closed pre-sale for accredited investors

Mance Harmon has 20 years of experience in strategic leadership, just as Leemon is involved in machine learning and has many cited publications related to this field.

The Hedera Hashgraph project identifies major partners - integrators (including the Digital Currency Group). The project has already [attracted](#) \$ 18 million during the closed pre-sale for accredited investors. Slava Rubin, founder of Indiegogo; John Best, founder of the Best Innovation Group; Don Thibaut, founder and chairman of OIX are among project's advisors, whose experience and connections will contribute to the expansion of the project on the international market.

THE TECH: The Swirlds company (licensor of the base Hashgraph technology) has released a development toolkit (SDK), which allows developers to experiment with the Hashgraph consensus library. Direct access to the Hashgraph test network is provided only to members of the Hedera Hashgraph Council. A [demo version](#) of the application running on the hashgraph system is published on GitHub. The proof-of-stake principle is used instead of proof-of-work, in the Hashgraph network: blocks are formed in proportion to the number of tokens owned by the user. The algorithm of the system is patented. Hedera will enable KYC procedures and AML requirements in a tightly regulated traditional financial system due to the introduction of the Opt-in Escrow voluntary identification system. The system developers have also achieved asynchronous Byzantine Fault Tolerance.

It should be noted that the total tokens number for sale and their issuance, as well as the date of the crowdsale beginning, are not specified.

TOKENS: The company describes the functional of the system in detail. SAFT tokens will be used as the system currency and provide access to various applications within the platform. In addition to currency, tokens also perform a security function (used to achieve consensus within the network) and as support for the platform functioning. It is also possible to use tokens as a security by storing tokens on a wallet or a node receiving dividends.

It should be noted that the total tokens number for sale and their issuance, as well as the date of the crowdsale beginning, are not specified.

JURISPRUDENCE: The licensor of Hashgraph's core technology is Swirlds Inc., which is registered in Texas, USA. (taxpayer code 32059146640). The platform will be operated by the Hashgraph Consortium, LLC, registered at 224 W. Campbell Rd., Suite 2014, Richardson, TX 75080.

There is no Token Sale Agreement on the project's website. To participate in the project's pre-sale, users undergo an obligatory verification procedure (KYC) and must be accredited investors. It is also indicated that developers and users can receive tokens to participate in the network without participation in pre-sale, regardless of whether they are accredited investors or not.

Implementation of Opt-in Escrow in combination with high transaction velocity and increased security opens up opportunities to enter the traditional financial markets

RISKS: Due to the fact that Hashgraph is a new blockchain generation, it can take several years to debug and test it.

Hedera tokens also have security features and must be registered by securities market regulators of different countries (such as USA, Canada, Australia, etc.).

CONCLUSIONS: Hedera Hashgraph is a platform for implementing a new form of distributed consensus to ensure secure collaboration and online transactions for people who do not know each other. The project attracted \$ 18 million during the closed pre-sale. Testnet was launched and positive network testing results were received in April 2018. Hashgraph is an extremely promising project with a high potential for access to traditional financial markets due to the high transaction velocity (equal to the velocity within Visa system), low transaction costs (no proof-of-work principle), and an increased level of security (achievement of "asynchronous Byzantine Fault Tolerance"). Considering the tech expertise of the founders and the capabilities of Swirdls Inc, there is a high probability that the innovative idea will be successfully implemented. But Hedera Hashgraph is in the initial stage of product development and preparation for ICO now: the launch time of the platform is unknown, the stages of development and the economy of the project are not described, and the team has not worked out important legal aspects.

**What is important
to improve?**

High-priority tasks:

- open access to the test network
- publish the source code of the project on GitHub
- work out and publish a plan of measures to meet the requirements of securities market regulators
- carry out an independent audit of a smart contract and present its results

What information should be added?

More information is required about:

- financial plan
- ICO details (token name, pre-ICO and ICO dates, hard cap, etc.)
- limiting the token issuance
- legal structure of the company
- mechanism for protecting tokens against devaluation
- token sale conditions
- large VC investors in the project
- companies that will be part of the Hedera Hashgraph Council

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