



# Hero

Promoting Financial Inclusion, Transparency,  
and Efficiency in Southeast Asia

WHITE PAPER

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# Important Information

This White Paper is provided by the Company for informational purposes only. Nothing in this White Paper shall be construed as an offer to sell or buy securities in any jurisdiction, or a solicitation for investment, or an investment advice. The White Paper does not regulate any sale and purchase of Hero Origen Tokens (as referred to in the White Paper). **The purchase of Hero Origen Tokens is subject to the Terms and the use of the Platform is subject to the Platform Terms and Policies.**

This White Paper describes the current vision for the Hero Capital Market Platform. While we intend to attempt to realize this vision, please recognize that it is dependent on quite a number of factors and subject to quite a number of risks. **It is entirely possible that the Hero Capital Market Platform will never be implemented or adopted, or that only a portion of our vision will be realized.** We do not guarantee or warrant any of the statements in this White Paper, because they are based on our current beliefs, expectations and assumptions, about which there can be no assurance due to various anticipated and unanticipated events that may occur. Blockchain, cryptocurrencies and other aspects of our technology and these markets are in their infancy and will be subject to many challenges, competition and a changing environment. We will try to update our community as things grow and change, but undertake no obligation to do so.

Due to the retrospective nature of regulatory action or guidance, we can make no guarantees regarding the legality of the Hero Capital Market Platform or the Hero Origen Token launch in any given jurisdiction. We must operate the Hero Capital Market Platform in accordance with the laws of relevant jurisdictions. As such, the Hero Capital Market Platform or the Hero Origen Tokens may not be immediately available in certain countries.

**Hero Origen Tokens are functional utility smart contracts within the Hero Capital Market Platform. Hero Origen Tokens are non-refundable. Hero Origen Tokens are not for speculative investment. No promises of future performance or value are or will be made with respect to Hero Origen Tokens, including no promise of inherent value, no promise of continuing payments, and no guarantee that Hero Origen Tokens will hold any particular value. Hero Origen Tokens are not securities and are not a participation in the Foundation (once established) or the Company. Hero Origen Tokens hold no rights in the Foundation (once established) or the Company.**

Hero Origen Tokens are sold as a functional good and all proceeds received by the Company and the Foundation (once established) may be spent freely by the Company and the Foundation (once established) absent any conditions. Membership to the Hero Capital Market Platform is intended for experts in dealing with cryptographic and blockchain-based software systems. This White Paper may be updated or altered, with the latest version of the White Paper prevailing over previous versions and we are not obliged to give you any notice of the fact or content of any changes. The latest version of the White Paper in English is available at the website <https://herotoken.io/>. While we make every effort to ensure that all data submitted in the White Paper is accurate and up to date at the point in time that the relevant version has been disseminated, the proposed White Paper is no alternative to consulting an independent 3rd party opinion.

The White Paper does not constitute an agreement that binds the Company or the Foundation (once established). The Company, the Foundation (once established), the Company's and the Foundation's directors, officers, employees and associates do not warrant or assume any legal liability arising out of or related to the accuracy, reliability, or completeness of any material contained in the White Paper. To the fullest extent permitted by any applicable law in any jurisdiction, the Company and the Foundation (once established) disclaim all liability to you and everyone else in respect of the content of this White Paper, whether under any theory of tort, contract or otherwise and whether in respect of direct, indirect, consequential, special, punitive or similar damages. Persons who intend to purchase Tokens, should seek the advice of independent experts before committing to any action, set out in the White Paper.



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# Introduction

This document (“**White Paper**”) describes the Hero Origen Token (“**Hero Origen Token**” or “**Token**”) sale pursuant to the Terms by David and Goliath Equity Group Inc., a holding company incorporated under the laws of the British Virgin Islands (“**Company**”). If permissible under applicable law, the Company intends (but has no obligation) to establish a foundation in Switzerland (“**Foundation**”) and to donate the proceeds from the Token sale as well as all the intellectual property rights to the Platform (as far as already existing) to the Foundation for the development and operation of the Hero Capital Market Platform (“**Hero Capital Market Platform**” or “**Platform**”). The Platform aims to transform capital markets in Southeast Asia in order to promote financial inclusion, transparency, and efficiency for all stakeholders.

**Two billion people, about 40% of the global population<sup>1</sup>, are still unbanked or underbanked and cannot get access to affordable credit, even if they have well-paying jobs and are connected to the Internet.**

Despite making our global economy hum, the financial services industry today is fraught with problems that make it more exclusive than it is inclusive. For one, it is arguably one of the most centralized industries in the world, and also one of the last industries to feel the transformative effects of the technological revolution. Bastions of the old financial order such as banks go to great lengths to defend monopolies and often hinder innovations that might be disruptive to their businesses. The financial system also runs on dated and cumbersome legacy technology.

**Financial institutions do not provide services to the unbanked as they are simply unprofitable or too risky to service. More importantly, because of their monopoly positions especially in developing economies, many incumbents have no incentive to improve products, promote financial inclusion, increase efficiency, improve transparency, improve the consumer experience, or appeal to the next generation of customers.**

Savings and lending are foundational building blocks of modern society, serving as both fuel for funding economic growth and funds in times of financial need. Today we call the former as capital, and the latter as credit. Increased access to capital for the unbanked can have a positive impact of historical proportions. Without access to capital, Columbus’s expeditions to the Americas may not have occurred, and perhaps nor would the subsequent explorations of the “New World”. Without proper financing mechanisms, neither the Industrial Revolution nor the tech boom in Silicon Valley would have spread at such rapid speed. Both national and local economies are affected by the ease or difficulty to access capital. Access to credit is just as important. If you translate the examples earlier to a local level, then you have billions of people who do not have access to credits to allow them to go to school, remain healthy and grow their small businesses – credit remains a roadblock to economic prosperity for billions of people, even if they have the talent, ambition and work ethic to prosper.

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<sup>1</sup> <http://www.worldbank.org/en/programs/globalindex>

# Blockchain Technology – New Opportunity

Blockchain technology represents a powerful new tool for improving financial inclusion, potentially disrupting many financial institutions and enhancing the performance of banks in the global economy. By disintermediating traditional lending institutions and radically simplifying processes, blockchain can finally enable instant, frictionless loans, so that people don't wait in line for an hour or more, travel great distances, or risk life and limb venturing into dangerous neighborhoods at night just to get a loan.

Furthermore, blockchain will improve administrative accountability. If microloans are recorded to the blockchain and everyone can access them, then they can hold those more accountable for bad behavior. Blockchain as a technology, has the potential to address all these innate intricacies of the lending process. With the inherent concept of open ledger, decentralized platform, smart contracts and integrated central database, blockchain achieves transparency, cost effectiveness, regulatory compliance and risk analysis in the lending process.

Loan data processing can be done exclusively on the distributed ledger reducing risk and increases transparency and responsiveness, the technology itself functions like a regulation.

## Market Overview – Southeast Asia

Southeast Asia is the world's fastest growing internet region. With 260 million internet users out of a population of more than 600 million people, it is the 4th largest internet market in the world. By 2020 internet users in the region are expected to reach up to more than 480 million users, led by Indonesia, the world's fastest growing internet market. Unsurprisingly, the growth is anchored by the region's thriving young population, with 70% of the (against China's 57%) population comprised of those under 40.<sup>2</sup>

A study made by Google and Temasek predicts that by 2025 the Southeast Asian internet economy is expected to reach 200 Billion USD, strengthening its already strong and growing GDP of 2.5 Trillion USD<sup>3</sup>) With its mobile connection rate higher than the global average, (124% vs. 103%) and its internet speeds expected to reach the global average of 23.3 mbps soon, the region's internet industry is flourishing. Furthermore, as of January 2017, social media penetration of its member countries is high. In the Philippines it stands at 58%, higher than the global average of 37% and the regional average of 47%.<sup>4</sup>

**Yet only 27% of the Southeast Asian population has a bank account. In poor countries like Cambodia the numbers fall to about 5%. That is about 438 million people in the region unbanked.<sup>5</sup> The Philippines has one of the lowest banking penetration rates in Asia, with over 70% of adults (aged 15+ years) unbanked. Central bank data suggest that outside Metro Manila, the unbanked comprise more than 80% of the population, and only 3 million households have a credit card. As a result, 72% of its more than 100 million population depend on more than 18,000 pawnshops for their cash and credit needs.<sup>6</sup> With 90% of pawnshop customers in the country belonging to this unbanked population, pawnshops serve as their banks. Unlike the US, this is common for emerging markets like the Philippines.**

# Market Overview – Southeast Asia

However, there is a problem with the traditional pawnshops that the unbanked population rely upon - it is their unreasonable interest rates that can reach over 100% per year, making it impossible for people to redeem their collateral and improve their already grave financial situations. These places mainly accept jewelry as collateral, something most young people do not have. And while there are a lot of pawnshops, most of the unbanked Filipinos spend hours on the road, shopping around for the best deal. Being subject to one of the worst traffic situations in the world, it can make the whole experience very expensive and inconvenient.

The lack of access to basic financial services has created major barriers for the people to overcome poverty by making it almost impossible for them to borrow or save money. This serves to deny them the most basic services and opportunities. That's why some of them choose to work abroad, leaving their families behind as they work for the opportunities and financial liberation that developed countries offer. This is neither right nor smart, and the problem needs to be addressed.

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<sup>2</sup> <https://techcrunch.com/2016/05/24/report-southeast-asias-internet-economy-to-grow-to-200b-by-2025>

<sup>3</sup> [https://docs.google.com/presentation/d/1Bp4KT-W8RF4ZorPUthts8X-B7QHBhsEnY1T5G7XifU0/edit#slide=id.g1421568192\\_0\\_33](https://docs.google.com/presentation/d/1Bp4KT-W8RF4ZorPUthts8X-B7QHBhsEnY1T5G7XifU0/edit#slide=id.g1421568192_0_33)

<sup>4</sup> <https://www.rappler.com/technology/features/159720-ph-spends-most-time-online-and-on-social-media-report>

<sup>5</sup> <https://www.techinasia.com/talk/438m-unbanked-southeast-asia-fintech>

<sup>6</sup> <http://www.philstar.com/cebu-business/2017/04/13/1690232/over-80-pinoys-are-unbanked-dof>

## There Is Hope – Hero Capital Market Platform

Recent data show that 56 Million Filipinos in the country are using some kind of mobile device, and 99% of these people are on the social media platform Facebook.<sup>7</sup> This demonstrates that although most Filipinos might be unbanked, they are technology savvy digital natives who are ready to utilize innovative solutions that improve their lives.

David Margendorff (“Promoter”), German citizen, is the founder, Chairman and through the Company, a shareholder of PawnHero Philippines Pte. Ltd. (Registration Number: 201434923G), a limited company duly registered under the laws of Singapore, with office address at 60 Paya Lebar Road, #08-43 Paya Lebar Square, Singapore 409051. Other investors in PawnHero Philippines Pte. Ltd. include Softbank and Alibaba through their investments in the Kaikaku Fund, 500 Startups, IMJ Limited, startup incubator Hatchd Group Intl., the former CEO of 2GO, a leading Philippine logistics company, and certain high net worth individuals.

PawnHero Philippines Pte. Ltd. owns PawnHero Pawnshop Philippines Inc. (“PawnHero”), a corporation duly organized and existing under and by virtue of the laws of the Republic of the Philippines, with business address at 7th Floor W Global Center, 9th Avenue Corner 30th Street, Bonifacio Global City, Taguig City, Philippines. PawnHero is the leading online pawnshop in the Philippines and is licensed and registered with the Bangko Sentral Ng Pilipinas (Philippine Central Bank).

# There Is Hope – Hero Capital Market Platform

The Promoter intends PawnHero to serve as an integral component of the Hero Capital Market Platform (as described below) by providing the initial loan demand for the Hero Capital Market Platform. PawnHero will make available its historic data on lending transactions and provide access to its payment distribution and collection network in the Philippines upon the execution of a mutually agreeable service level agreement.

The Hero Capital Market Platform will be a blockchain (see technology description below) that utilizes smart contract technology which will enable a network of financial service marketplaces comprised of a series of interdependent and mutually reinforcing projects in the Southeast Asian market focused primarily on promoting financial inclusion, transparency, efficiency and the provision capital for individuals and businesses in markets that are currently excluded from transparent and efficient access to financial services.

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<sup>7</sup> <http://www.philstar.com/cebu-business/2017/04/13/1690232/over-80-pinoys-are-unbanked-dof>

# PawnHero in the Media



*"Given that 69% of the population in the Philippines is unbanked, pawnshops play an important role in enabling people to obtain cash and loans, since they cannot participate in the standard banking system... PawnHero serves a growing role that other pawn shops may have difficulty competing with. Its lower interest rates just put icing on the cake."*



*"PawnHero aims to ride smartphone boom in a different way by giving millions of unbanked Filipinos a cheaper, accessible alternative to the common pawnshop"*



*"Every smartphone or internet connection can now be used as a pawnshop outlet in the country, widening the reach of the online pawnshop in the country."*



*"PawnHero goes all out to give traditional pawnshops a run for their money."*



*"Pawnhero opened last year, offering an easy, fair and convenient solution to Filipino's short-term financial emergencies."*



*"PawnHero turns any Internet connected mobile phone into a pawnshop. With lower interest rates, higher appraisal values, and a much lower cost structure compared to traditional pawnshops, no physical store means no rent for instance, PawnHero is poised to break out..."*



*"PawnHero accepts more items than traditional pawnshops, giving you more options to meet your short-term cash needs."*



*"... Pawnhero... It's a safer option in a country where credit ratings are nonexistent and loan sharks are often the only venue for borrowing money."*



*"...the format that PawnHero provides customers in terms of pawning is a safer option in the Philippines, since the majority of where Filipinos can borrow money end up being through loan sharks."*



*"PawnHero, a mobile pawn shop service startup company, is disrupting the alternative finance status quo and working to revolutionize the way consumers in the Philippines engage with their pawn shops."*



*"PawnHero is the first online pawnshop in Southeast Asia. The company offers flexible loan terms with a loan redemption period minimum of 4 months and a maximum of 15 months. Unlike traditional brick-and-mortar pawnshops, the company accepts many items including home equipment, jewelry, electronics, luxury goods, and other personal items as collateral for a secured loan."*

# Hero Origen Token Offering

Company will invite interested persons to contribute to the development and operation of the Platform by taking part in the Hero Origen Token sale. During the Offering Period, the Company offers approximately (not fixed) 50'000'000 Hero Origen Tokens for sale at an offer price of 0.005 ETH per Hero Origen Token pursuant to the Terms.

The Company grants discounts and bounties as noted in the table below. The date for the Hero Origen Token offering will be published on the website [www.herotoken.io](http://www.herotoken.io). The Company reserves the right to sell a certain portion of Tokens during a pre-sale. Admission to pre-sale is completely up to the Company's discretion.

## Hero Origen Token Sale Mechanics

<b>Symbol</b>	HERO
<b>Wallet Address</b>	Only use the wallet address on our website <a href="http://www.herotoken.io">www.herotoken.io</a>
<b>Token Background</b>	HERO is built as an ERC20 token on the Ethereum blockchain
<b>Launch Date</b>	Please visit <a href="http://www.herotoken.io">www.herotoken.io</a>
<b>End Date</b>	When the Token Sale Limit has been reached or the Residual Period has expired
<b>Hero Token Price</b>	1 HERO token is equal to 0.005 ETH (1 ETH will buy 200 HERO Origen Token)
<b>Total Number of Hero Token</b>	The final number of HERO Origen Tokens is defined after the end of the Token sale based on the amount and timing of the contributions. No tokens are pre-issued before the end of the Offering Period. HERO token distribution starts as soon as possible after the end of the token sale upon the completion of diligence and audit required by applicable law (inter alia kyc).
<b>Pool A</b> Total Percentage of Hero Tokens available to the public	80%
<b>Pool B</b> Total Percentage of Hero Tokens available to early believers and advisors	3%
<b>Pool C</b> Total Percentage of Hero Tokens available to bounties	2%
<b>Pool D</b> Total Percentage of Hero Tokens allocated to the promoters for long-term alignment of interests	15%
<b>Maximum Amount Sold (Token Sale Limit)</b>	250,000 Ethereum (ETH) worth of HERO token.  Additional HERO Origen Tokens are offered to those who commit early. Please see the table below for the bonus token schedule.
<b>Early Bird Bonuses</b>	Initial Period <ul style="list-style-type: none"> <li>Day 1 (first 3h) +30% token bonus;</li> <li>Day 1 (3:01h-24h) +20% token bonus;</li> </ul> Residual Period <ul style="list-style-type: none"> <li>Day 2 and Day 3 +10% token bonus;</li> <li>Day 4 to Day 7 +5% token bonus;</li> <li>Day 8 to 14 +2.5% token bonus;</li> <li>After Day 14 +0% token bonus.</li> </ul>
<b>Bounties</b>	<ul style="list-style-type: none"> <li>Facebook campaign – 5.0% of Pool C;</li> <li>Twitter campaign – 5.0% of Pool C;</li> <li>Reddit campaign - 5.0% of Pool C;</li> <li>Slack / Telegram campaign – 5.0% of Pool C;</li> <li>Creative (Graphics and Videos) - 5.0% Pool C;</li> <li>Media support campaign – 15.0% of Pool C;</li> <li>Signature Campaign – 10.0% of Pool C;</li> <li>Translation support – 15.0% of Pool C;</li> <li>Exclusive support – 30.0% of Pool C;</li> <li>Bug Hunt and Creative Development– 5.0% of Pool C.</li> </ul>
<b>Accepted Cryptocurrencies</b>	<ul style="list-style-type: none"> <li>Ethereum (ETH)</li> <li>ETH Classic (ETC)</li> <li>Bitcoin (BTC)</li> <li>Ripple (XRP)</li> <li>LiteCoin (LTC)</li> <li>Waves (WAVES)</li> </ul>

# Hero Origen Token – Functionality

Each Hero Origen Token provides preferred perpetual membership to the Hero Capital Market Platform beginning from the commercial launch of the Hero Capital Market Platform. After the close of the Offering Period, no new Hero Origen Tokens will ever be offered in the future. If permitted by applicable law, the Company will endeavor to enable the trading of the Hero Origen Tokens on reputable exchanges as soon as reasonably practicable after the issuance of the Hero Origen Tokens.

## Benefits of Hero Origen Tokens

Holders of 200 Hero Origen Tokens will be provided with the following perpetual benefits which will not be made available to future Hero Member Token holders:

- 1. Perpetual membership to the Hero Capital Market Platform;**
- 2. Preferential access to opportunities to provide credit and equity financing to individuals and businesses in emerging markets to earn risk adjusted market returns;**
- 3. Hero Origen Token holders will be given pro-rata right of first offering on funding opportunities on the Hero Capital Market Platform.**

## Hero Origen Tokens are not a Security

The Hero Origen Tokens are not a security. Holders of Hero Origen Tokens will have no ownership or control over the Company, the Foundation or the Hero Capital Market Platform. They will not be entitled to receive any interest, dividends, or other income directly from the Company, the Foundation, or Hero Capital Market Platform for their Hero Origen Tokens.

## Hero Origen Tokens versus Hero Member Tokens

Once the Hero Capital Market Platform has been launched, the Foundation - provided it has been established - will offer a new class of tokens ("Hero Member Tokens") for access to the Hero Capital Market Platform based upon the market demand. The Company has not yet defined the amount of Hero Member Tokens that will be issued.

**This White Paper and the Terms are limited to the sale of Hero Origen Tokens. The sale of Hero Member Tokens will be subject to other terms and conditions to be defined by the Foundation, once established.**

## Use of Proceeds

The Company intends to donate the proceeds from the Token sale as well as all the intellectual property rights to the Platform (as far as already existing) to the Foundation (once established). The Foundation will build, promote, and operate the Hero Capital Market Platform. Depending upon the amount raised through the Token sale, the Foundation will prioritize certain projects and markets described below. Although the Foundation will exert all commercially reasonable efforts to expedite the launch of the Hero Capital Market Platform, the timeline to launch will be determined by the amount of proceeds raised by the Token sale.

## Foundation

The Foundation (once established) will be a non-profit organization organized and operating from Switzerland or other suitable jurisdiction. The mission of the Foundation is to promote financial inclusion, transparency, and efficiency in emerging markets through the development and administration of the Hero Capital Market Platform. The Foundation will comply with international standards on corporate governance and will embrace a philosophy of complete transparency. Regular updates on project and market status and audits by internationally reputable audit firms will be posted on the Foundation website. Upon the depletion of the proceeds from the Token sale, the Foundation will be funded by transaction fees generated through the Hero Capital Market Platform and membership dues paid through the purchase of Hero Member Tokens.

## Platform Technology

**The Hero Capital Market Platform will be a collection of Decentralized Applications (Dapps) on the Ethereum Blockchain along with web and mobile interfaces for Borrowers and Service Providers to interact with each other and manage the Borrower Token minting, issuance, and trading through the blockchain.**

The Foundation (once established) will develop and publish standardized smart contracts by project and market which Originators on behalf of Borrowers can use and deploy in order to begin their financing process and launch Borrower Tokens. The smart contracts will be developed by the Foundation to ensure that they comply with all applicable legal regulations and security requirements.

For each step of the Borrower Token issuance process, authenticated Service Providers will individually append their signatures on the digital smart contract embedded in the Borrower Token including any annotations they might have on the smart contract. These Service Providers will have been audited by the Foundation in order to verify their legal accreditation.

From a technical standpoint, to authenticate the Service Providers on the Ethereum Blockchain, the Hero Capital Market Platform will use an oracle contract managed by the Foundation. This oracle contract will be called the Hero oracle (“Hero Oracle”) and one of its primary functions is to act as a safeguard that guarantees that other entities on the Platform are legally accredited and regulated.

# Platform Technology

Once a Borrower Token is fully approved by all necessary Service Providers, the Borrower Token with the embedded smart contract will be available for subscription from Heroes. After the Borrower Token is priced and funded through the Hero Capital Market Platform, the smart contract embedded in the Borrower Token will automatically distribute the Borrower Tokens to the Heroes and the Borrower Tokens will become tradeable.

To support this, the Foundation will also regulate a Borrower Token standard similar in nature to the ERC20 standard. Unlike ERC20 tokens, however, Borrower Tokens on the Hero Capital Market Platform will not only be required to adhere to technical standards regarding interfaces for the token, but all Borrower Tokens will also have to adhere to legal standards as required by the Foundation. This will mean that for almost all cases, smart contracts embedded in the Borrower Tokens on the Hero Capital Market Platform will need to use open-source standard templates published and approved by the Foundation.

To secure the Hero Oracle, all changes to the Hero Oracle will be made through a multiparty signature algorithm. The different necessary keys will be distributed in servers across the globe to ensure that there is no single point of failure to launch cyberattacks.

# Hero Capital Market Platform – Involved Parties

**Borrowers** are the issuers of the Borrower Tokens. Borrowers are solely liable for the repayment of the interest and principal and/or performance of the obligations they incur upon the issue of their corresponding tokens. Any person in the relevant market may be a Borrower provided a loan Originator accredits them.

**Heroes** are holders of a certain amount of the Hero Origen Token or Hero Member Token which are required to access the Hero Capital Market Platform (200 Hero Origen Tokens; the required amount of Hero Member Tokens has not yet been defined). Upon their sole discretion and selection, Heroes provide digital and or fiat currency funding to specifically selected Borrowers through the Hero Capital Market Platform and receive interest and principal or other applicable remuneration in digital and or fiat currency based upon the individual terms and conditions encapsulated in the respective Borrower Token issue. Heroes may provide funding on the primary market by subscribing to the initial offering of a Borrower Token on the Platform. Depending on the regulatory environment applicable to the Hero Capital Market Platform and the tokens, the Foundation may offer in the future the possibility to buy or sell Borrower Tokens on a secondary market through the Platform.

**Originators** are responsible for accrediting Borrowers and procuring from the Borrower the necessary information to enable a Borrower Token issuance through the Platform. Originators are responsible for the credit and financial ratio analysis, due diligence, collateral adequacy confirmation, and applicable KYC and Anti-Money Laundering law compliance. Originators will be screened and accredited by the Foundation to ensure they comply with all applicable legal obligations. Originators market their service and procure Borrowers and manage them through the Hero Capital Market Platform process from the minting of a new WIPT token through the issuance of a live Borrower Token. The Platform will enable Originators to annotate all necessary information and documentation from their analysis of the Borrower to the WIPT token corresponding to the Borrower issuance. Originators may be required to purchase tiered minimums of the Borrower Token issuance to provide assurance to Heroes.

**Servicers** are selected by the Originator and the Borrower for each Borrower Token issuance. Servicers must be accredited by the Foundation. Servicers are responsible for collecting periodic interest payments and principal from the Borrower and for issuing regular updates on the adequacy of the collateral and updated financial analysis of the Borrower. This information is annotated to the Borrower Token from the issuance of the Borrower Token through settlement of the Borrower Token.

# Hero Capital Market Platform – Involved Parties

**Payment Providers** are responsible for converting digital currency into/from fiat currency as per the terms and conditions of the Borrower Token. Payment Providers also comply with the payment instructions encoded in the Borrower Token with respect to remittance of the proceeds on the issuance, the transfer of contractually required payments (e.g., interest and principal), the payment of legally required taxes and payments to the Service Providers and the Foundation.

**Legal Counsel** provides opinions and loan documentation on each Borrower Token sale to affirm their view that the token sale is consistent with applicable legal requirements in the country of issue and are legally enforceable against the Borrowers. Their opinion will be included in the Borrower Token smart contract together with the applicable contractual legal documentation. The Hero Capital Markets Platform will include standardized legal documentation based on the product and risk assessment of the Borrower Token issue.

**Vultures**, or bad debt collectors, are specialists accredited by the Foundation that will evaluate any Borrower Token sales that are in default or risk of default and may at their option, purchase the Borrower Token from the Heroes at an agreed price and then may implement collection procedures consistent with the applicable local law.

**Service Providers** refer collectively or individually to Originators, Servicers, Payment Providers, and Legal Counsel. All Service Providers are entitled to a market based % of the gross proceeds generated on a Borrower Token sale as their compensation as encoded in the Borrower Token. Additional Service Provider classifications may be added to support various Projects in various markets.

# Hero Capital Market Platform Attributes

**Legal Enforcement:** A Borrower Token issue through the Hero Capital Market Platform will represent an enforceable financial contract between the Borrowers and the Heroes and will archive all necessary information regarding the origination, servicing, legal review, credit review, payment history, reputational ratings, etc. of the financial contract and all the parties involved in arranging the Borrower Token issue.

**Accreditation:** All participants in the Platform will be required to submit information to the Foundation through the Platform to ensure qualifications, capabilities, and legal right to participate. Based upon the information submitted through the Platform and verified by the Foundation, participants will have access only to Borrower Token issues suitable for them.

**Governance:** The Foundation will administer and manage the Hero Capital Market Platform with goal of promoting financial inclusion, transparency, and efficiency.

**Transparency:** All information on Borrower Tokens from the origination of the token through issuance, and settlement will be available for all Platform participants.

**Efficiency:** The Platform work flow focus on annotating the Borrower Token will facilitate the efficient pooling of resources and efforts of the participants. Instead of having multiple parties focus their efforts individually and with little coordination, the Platform will enable all parties to cooperate and contribute to the Borrower Token issuance.

**Tradability:** All Borrower Tokens issued through the Platform will be individually tradeable among Heroes from the issuance of the token through settlement of the token. Supply and demand of the respective Borrower Tokens will drive the exchange pricing.

**Standardization:** The Hero Capital Market Platform will utilize standardized legal documentation, reports, policies, and procedures to enable the transparent and efficient encoding of Borrower Tokens utilizing smart contract technology.

**Educational:** In addition to enabling the Borrowers, Heroes, and Service Providers to transparently and efficiently cooperate, the Hero Capital Market Platform will also provide guidance on legal and regulatory compliance for the Platform participants in each market and for each respective project.

**Reputational:** Performance of each Platform participant relating to each Borrower Token will be compiled by the Platform to create rating scores for each Platform participant which may impact future Borrower Token issues.

**Market Pricing:** The Hero Capital Market Platform will also enable the market pricing of all token issues. Borrowers will submit their maximum interest rate and proceeds as well as the functional currency of the issue. The Hero Capital Market Platform will collect bids from interested Heroes and price the issue based on a discriminatory price auction methodology similar to that used to price government debt issues.

# Borrower Token Issuances Through the Hero Capital Market Platform

The Hero Capital Market Platform will enable the issuance by Borrowers of Borrower Tokens through the Platform to Heroes around the world (see definitions above). The Borrower Tokens will be annotated through the blockchain utilizing smart contract technology with the contributions of Originators, Servicers, Legal, and Payment Providers (collectively, “**Service Providers**”). The Platform will mint a Work in Process Token (“**WIPT**”) corresponding to the issuance by the Borrower. Once the WIPT has flowed through the Platform and received all necessary contributions from Service Providers, the Platform will automatically convert the WIPT to a live Borrower Token which will then be automatically issued to Heroes through the Platform.

## Development of the Hero Capital Market Platform

The Hero Capital Market Platform will be developed and launch operations on a project and market basis (see below). As a project is completed it will be launched on a tiered basis determined by the country regulating the issuer. This is necessary given the applicable legal, tax, and regulatory requirements which are likely to be applicable based on the country of residence of the issuers.

The Foundation will hire or contract leading experts in blockchain and digital currency technology to serve as in-house development team throughout the development cycle of the Hero Capital Market Platform. The Foundation will engage local market financial, legal, and regulatory experts as consultants to provide the necessary localization parameters to the Foundation development team.

## Priority Markets

The selection and prioritization of markets is upon the Foundation’s sole and free discretion. As of today, the priority emerging markets for the Hero Capital Market Platform are as follows:

- 1. Republic of the Philippines;**
- 2. Indonesia;**
- 3. Vietnam; and**
- 4. Thailand.**

# Priority of Projects

The selection of prioritization of projects is upon the Foundation's sole and free discretion. The Hero Capital Market Platform intends to prioritize projects by order of priority based on the following criteria:

1. Registered and unregistered secured and unsecured corporate debt issues with variable terms and discounts to face value with bullet repayment of principal and interest;
2. Registered and unregistered periodic amortizing instruments secured and unsecured;
3. Primary and secondary secured residential mortgages;
4. Secured automobile and motorcycle loans;
5. Sponsored unsecured credit lines based on credit scoring model
6. Equity type securities

# Appendix A:

## Hero Capital Market Platform Example

**To understand the potential power of the Hero Capital Market Platform vision to expand financial inclusion and promote transparency and efficiency please see the following example:**

Manuel Wayne, a Philippine businessman, owns a small fast-growing service business in Manila which he operates as Wayne Co. Manuel visits several local banks and is frustrated to learn that local banks will not issue him a loan because Wayne Co. only became profitable this year and as a service business, does not have traditional assets which could serve as collateral.

Manuel learns of the Hero Capital Market Platform and registers through the Platform as a potential Borrower. Manuel inputs relevant information on himself, Wayne Co. and his funding requirements into the Platform. The Platform matches Manuel to several potential Originators that have been accredited by the Foundation. Manuel evaluates the experience of the Originators, reputational score provided by the Platform, and quoted fees. Manuel engages the services of the Originator through the Platform.

The Originator mints a WIPT through the Platform. The Originator conducts the legally required due diligence including KYC and AML and annotates the WIPT with the relevant information and standardized documentation including credit ratio analysis through the Platform. The Originator consults with the Borrower and determines through the Platform an initial unadjusted risk grade for the offering. The Originator and the Borrower may make modifications to the offering to improve the probability of token issue success and to lower the potential market determined interest rates as the Originator has access to Platform information on how prior token issues with similar risk characteristics performed once issued.

After further consultation, the Borrower and Originator agree to offer a 1 year zero coupon discounted note with face value of 100 Ethereum. Given the early stage of the Wayne Co. business, they further include through the Platform a personal guarantee from Manuel, and the Originator agrees to retain 20% of the token issue and denominate the issue in Ethereum. After inputting the risk modifications, the Platform indicates a risk rating for the token issue.

Legal service providers, also accredited by the Foundation, prepare the standardized legal documentation from the Platform for the token issue. The legal documentation may have several standardized categories in the Platform. High risk issues would have legal documentation that favors the lenders (Heroes) whereas low risk issues may have legal documentation that favors the borrowers. The Legal service provider then annotates the WIPT through the Platform with the necessary legal documentation and standardized legal opinion on the transaction and enforceability by the Heroes of the terms of the token issue on the Borrower.

The Borrower and the Originator may track the status of the WIPT at all times. After receiving the Legal annotations to the WIPT, the Borrower and Originator select pre-accredited Servicers and Payment Providers which are also annotated to the WIPT. *(continued)*

## Appendix A: Hero Capital Market Platform Example

The Platform then sends the offering information to Heroes that are qualified to invest in the Wayne Co. WIPT and have expressed an interest in similar token issues. The Wayne Co. offering will be priced by a discriminatory price bidding process. If the market determined pricing is within the quantity and price parameters listed in the Wayne Co. WIPT as acceptable to the Borrower, then the Wayne Co. WIPT becomes a live Wayne Co. Token. The Payment Providers issue through the Platform the Wayne Co. Tokens to the Heroes and collect the proceeds. The Payment Providers convert such collected Ethereum proceeds into Philippine Pesos and distribute such Pesos to the Borrower net of the fees to the Service Providers.

The Platform itself will not issue Borrower Tokens (here Wayne Co. Tokens) nor will it maintain custody over Borrower Token, accounts, or any digital or fiat currency during the whole process described above. Instead the Platform is a decentralized software code used for the preparation, issuance, and servicing of the Borrower Tokens by the Service Providers to facilitate financially inclusive, efficient, and transparent workings between the involved parties.

All Platform participants may monitor the performance of the Wayne Co. Token and all other tokens issued through the Platform. Heroes may hold the purchased tokens to maturity or sell them on an individual basis to any third party. Depending on the regulatory environment applicable to the Hero Capital Market Platform and the Tokens, the Foundation may offer in the future the possibility to exchange tokens via the Platform. Should the Wayne Co. fail to repay the 100 Ethereum on maturity of the Wayne Co. Token, the holders of the Wayne Co. Token may then sell the defaulted token to Vultures which are accredited by the Foundation through the Platform. The Vultures may then utilize the information annotated within the Wayne Co. Token to collect on the personal guarantee provided by Manuel through the courts of the Philippines.

The Platform will utilize the information on the repayment or default of the Wayne Co. Token to assess and assign a performance ratings score to each Platform participants. Originators that experience high default rates, for example, shall be assigned a very low rating.

Through the Hero Capital Markets Platform, a loan origination that may not have been possible becomes possible, the process to loan issue may take days instead of months, and there is complete transparency on pricing and other relevant information to all Hero Capital Markets Platform participants at all times. Most importantly, an entrepreneur in an emerging market now has the financial means to grow their business, creating jobs and spurring the growth of their local economy. This is the impact of the Hero Capital Market Platform.

# Appendix B:

## Promoter Background

**David Margendorff, Co-founder,** PawnHero Pawnshop Philippines Inc.

- Founder, German e-commerce company
- Founding Member, CompareAsiaGroup (Nova Founders)
- Studied in London, Buenos Aires and Barcelona

At the age of 16, David started his first e-commerce business. Born in Germany, he lived in 7 countries across 3 continents. David earned international academic experience from universities in London, Buenos Aires, Barcelona and the US. Previously, he launched Malaysia's leading online comparison platforms for financial, telco and utility products and led the expansion in the Philippines. CompareAsiaGroup is now the largest financial comparison website in Asia and the most valued Fintech startup in SE Asia with investments of over USD100M from investors including Goldman Sachs, World Bank and Alibaba.

David worked for a private equity firm in Switzerland, where he was directly engaged in fund raising as well as in reviewing, evaluating and structuring of potential investment opportunities.

He also worked for Ernst & Young, one of the world's leading professional services organization. Moreover, he gained an insight into Corporate Finance while working in the City of London. He was also a finalist in the 2011 Deloitte Top Technology Competition and received an award for innovation in the German e-commerce space.

David has been giving several speeches about financial inclusion and was on the panel at:

- Slush Asia in Tokyo, Japan
- P&A Grant Thornton Business Forum 2015 about Staying Alive in the Digital World
- Imap Summit 2015 on Disrupted Economies
- Philippine International Banking Convention 2015
- FF16 2016, Hong Kong



Hero's mission is to make credit more readily available and affordable for the unbanked or underbanked, starting in Southeast Asia.

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