

SECURITY TOKEN OFFERING PROJECT RISKS AND MANAGEMENT

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Lybrion is a platform and provider of services that help:

- companies and projects raise finance via crowdinvesting, public offering or private placements on digitizing equity, real assets and low-risk debts;
- private and institutional investors pick out better opportunities guaranteeing capital grow at low risk.

Managed by a team combining competence in blockchain, investment and corporate governance areas, **Lybrion** is a trusted and effective partner for all partakers of digitized financial markets.



TERMS & MEANINGS: RISK & SECURITY

Risk is what hinders achievement of goals



SECURITY

- Safeness
- Reliability
- Sureness
- Value



(AD)VENTURE

- Idea
- Start
- Adventure
- Flyer



OPPORTUNITY

- Probability
- Future
- Expectations
- Promises

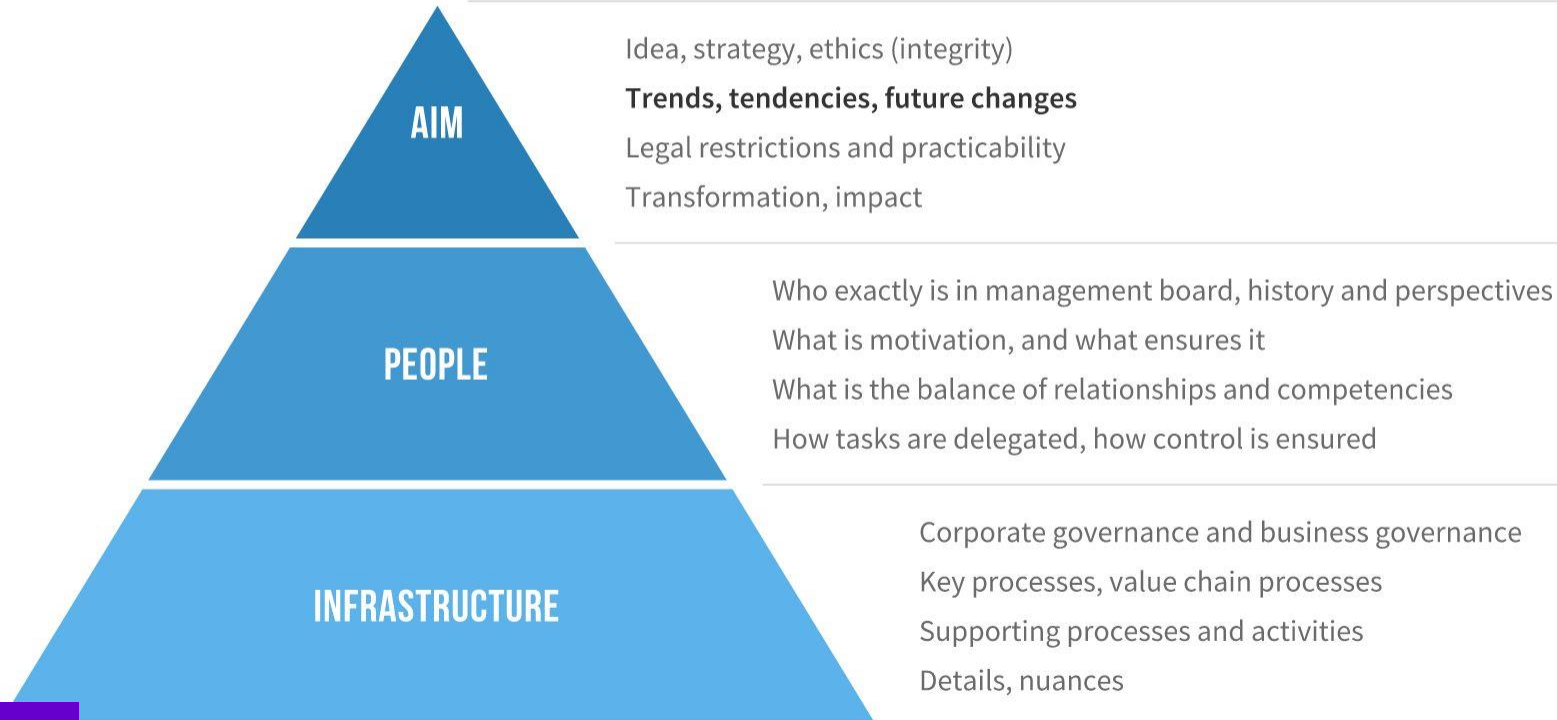


SHARE, EQUITY

- Fraction
- Accounting
- Relationship, contract
- Register

HOLISTIC APPROACH TO RISK MANAGEMENT

Integrity of the approach (the possibility of application by both investors and organizers)



TRENDS & CHANGES LEADING TO RISKS ON STO MARKET

BIG PLAYERS & GOALS

- Bigtech and large industry companies
- Traditional financial institutions
- Entry and exit barriers
- Lobbying

POLITY

- Strengthening and tightening standards
- Prohibitions and demonstrative reprisals
- Competition of jurisdictions
- Administrative means

HUMAN DESIRES & FEARS

- Competency mismatch
- Greed, fears of missing out
- Loss of confidence
- Laziness, resistance to change

TECHNOLOGIES

- New models and work approaches
- Advanced transformation technology
- Cyber risks
- Quality

IDEA & STRATEGY RISKS AND MANAGEMENT



INEFFECTIVE BUSINESS MODEL & CONCEPT; THE COMPLEXITY, INTRICACY OF IDEA, OR, CONVERSELY, PATENCY & PLAINNESS

- Business analysis (SWOT, PEST, etc.)
- Value proposition
- Conservative assumptions in models
- Analysis of entry and exit barriers



FORECASTING & LONG-TERM PLANNING ERRORS; VISION DEFICIENCIES, UNPROVEN STRATEGY

- Strategical sessions
- Formalized strategy document
- Budgeting order
- Plan/fact analysis



DESTRUCTIVE COMPETITION; SICK STRATEGIC PARTNERSHIPS

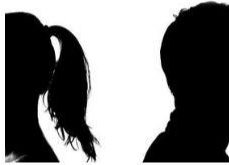
- Comprehensive analysis of important competitors
- Choosing a strategy for the strongest competitors
- Analysis of alternatives and exit options, including partnership exits
- Analysis of potential new and comparison with current partners



FAILURE TO SEIZE FOREMOST TECHNOLOGIES & INNOVATIONS

- Tracking new ideas, innovations
- Knowledge exchange
- Bottleneck analysis
- Preliminary estimate of implementation costs

TRANSPARENCY RISKS AND MANAGEMENT



CONFLICTS OF INTEREST LEADING TO FINANCIAL PROBLEMS; PERSONAL USE OF CORPORATE FUNDS

- Disclosure of information, declarations on participation in other projects
- Segregation of authorities
- Frequent cash flow reporting
- Conflict of interest policy



FRAUD, ABUSE

- Analysis of fraud and abuse indicators
- Management background checks
- Ethics policy; organization of independent hotlines for reporting ethical information
- Interview with retiring employees



INEFFICIENT COMMUNICATION WITH INVESTORS & IMPORTANT STAKEHOLDER GROUPS

- Identification of all stakeholder groups
- Availability of the website's special chapter
- Analysis of potential conflicts of interest in different investor groups
- Insider trading policy



ACCOUNTING & REPORTING DISTORTIONS

- Accounting policy; commitment to standards
- Reporting calendar; reporting procedure
- Audit of reports

LEGAL & COMPLIANCE RISKS AND MANAGEMENT



PROBLEMS WITH AGREEMENTS & OBLIGATIONS

- Disclosure of key contracts and commitments
- Analysis of “exit” barriers to termination of contracts
- Table of control of financial and non-financial liabilities
- Standard forms of contracts



CONFIDENTIALITY PROBLEMS

- Confidentiality policy and procedures to protect work product, including provisions in labor contracts
- Rules for working with sensitive data
- Software and technical information protection methods



TAX LEGISLATION VIOLATIONS, NON-COMPLIANCE WITH LAW SPECIAL SECTIONS

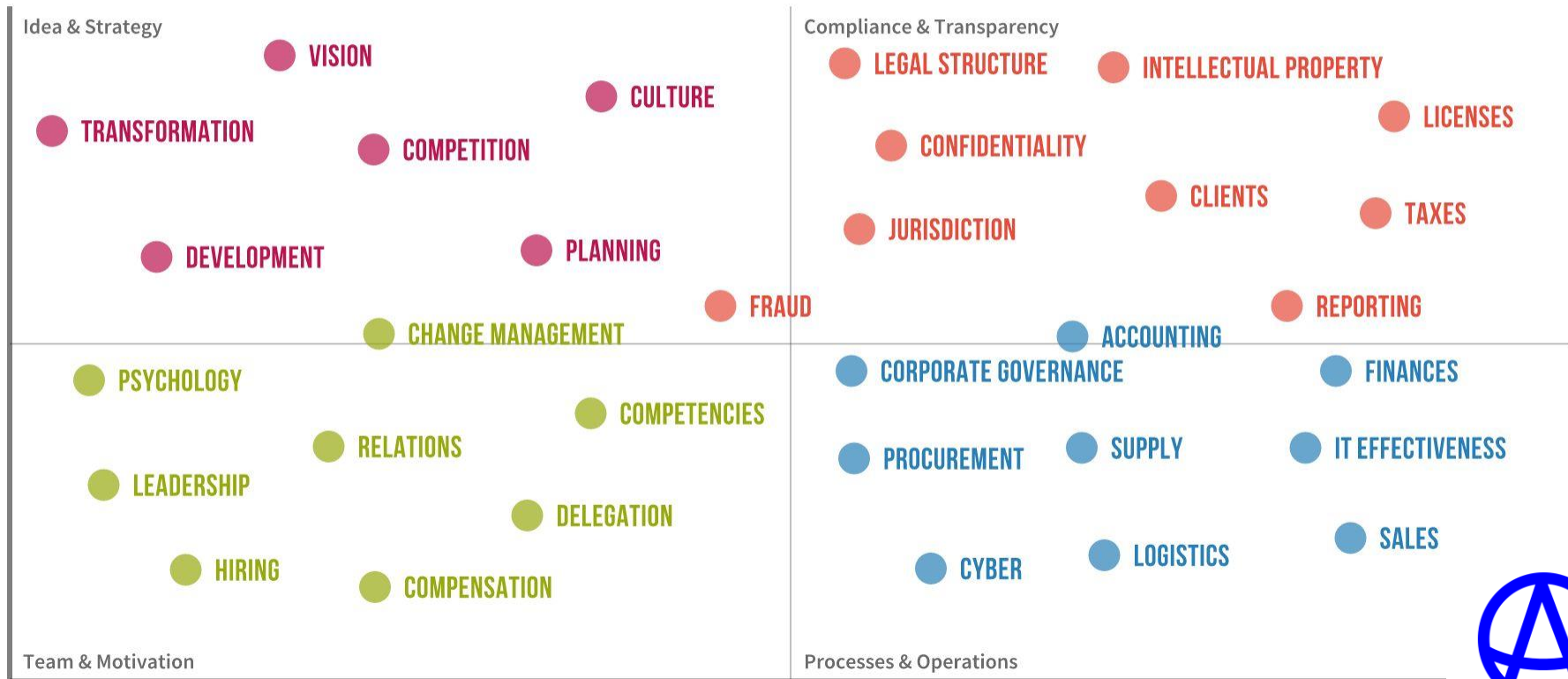
- External legal support available
- Tax calendar, relevant payment calendar
- Tracking additions and amendments to legislation



LOSS OF INTELLECTUAL PROPERTY & RELATED RIGHTS/BENEFITS

- Register of intellectual property rights and results
- Award system for ideas and knowledge

STO RISK CATEGORIES, HOLISTIC PICTURE



PEOPLE RISKS AND MANAGEMENT



GENERAL DISCIPLINE AND DELEGATION FAILURES; TEAM PSYCHOLOGY, RELATIONSHIPS

- Leaders' behavior analysis
- Systematic discussion of goals and values inside the team
- Team environment evaluation



RECRUITMENT AND RETENTION PROBLEMS; LOSS AND DEFICIT OF COMPETENCIES

- Competency matrices
- Labor market and regulatory model analysis
- Assessment of motivational schemes
- Competency balance analysis



INTERNAL COMMUNICATION ISSUES

- Periodic staff meetings
- Information policy
- Role of each employee is fixed by agreement



INEFFECTIVE BONUS, OPTION AND SIMILAR PLANS

- Bonus and motivational compensation rules
- Benchmarking

PROCESS RISKS AND MANAGEMENT



INEFFICIENT ADVERTISEMENT AND MARKETING COMMUNICATION

- Marketing strategy, its periodic discussion and review
- Analysis of advertising campaign aggressiveness
- Effectiveness and efficiency test of channel utilization
- Response analysis



PRODUCT SALES NOT MEETING IMMEDIATE MARKET DEMANDS; PRICING ERRORS

- Focus groups
- Periodic analysis and testing of various forms of product presentation and implementation
- Comparison with competitor prices
- “Feedback” from groups of buyers (clients)



SUPPLY, PROCUREMENT AND INVENTORY MANAGEMENT ISSUES

- Procurement contract analysis
- List of authorized suppliers
- Procurement conflicts of interest identification
- Stock control system, turnover analysis



POOR QUALITY OF SERVICE

- Methods of getting “feedback”, quality questionnaires
- Researching expectations of current and potential customer groups
- Quality commitment policy

IT RISKS AND MANAGEMENT



VULNERABILITIES, CYBER RISKS

- Periodic analysis of IT systems vulnerabilities
- Cyber attack site protection
- Smart contract audit including vulnerability analysis
- Preparation of general recommendations for project (network) participants



INEFFICIENT ASSISTANCE FOR IT TASKS

- Researching the best IT solutions
- Analysis of IT costs, identification of useless purchases and implementations



CONTINUITY PROBLEMS; IT INFRASTRUCTURE RISKS

- Licensed software
- Antivirus software
- Periodic analysis and survey of employees regarding IT infrastructure effectiveness
- Emergency, continuity plans



IT SERVICE INEFFICIENCY

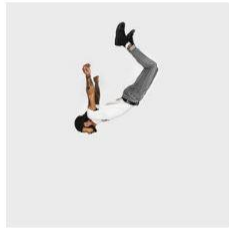
- Surveys and employee feedback questionnaires
- SLA practice
- Quality analysis of IT products, services

FINANCE RISKS AND MANAGEMENT



INEFFECTIVE CASH MANAGEMENT; DISTRESSED LENDING AND DEBT COLLECTION

- Weekly billing calendars
- Monthly cash flow statements
- Analysis of debts to the company and collection assurance measures



MARKET RISKS; ASSET VALUE DECREASE

- Depreciation of property
- Property use option tracking
- Recovery asset management policy and practice
- Indicators of events leading to value losses of specific types (groups) of property



PROBLEMS WITH FINANCING AND MAINTAINING THE BALANCE OF INVESTED CAPITAL RISKS

- Work planning and “feedback” review with financial institutions
- Liquidity and financial stability analysis



FINANCIAL BURDENS, LOAN PROBLEMS

- Assessment of loan commitments
- Accounts payable turnover analysis
- Financial burden tests

STO PROJECT RISK ASSESSMENT

Offering co-organizer, underwriter, agent, broker, bid organizer

1. ENVIRONMENT & PRODUCT

- Acquaintance, preliminary information
- Environment & strategy
- Core product

2. APPETITE & FACTORS

- Risk appetite understanding
- Human factor consideration
- Risk factors
- Risk zones

3. RISK MEASURES

- Modeling of questions
- Review of management actions
- Residual risks

4. SCORING PLAN

- Scoring composition
- Sampling
- Collection of additional information

5. ANALYSIS

- Collateral
- Financial analysis
- Conditional testing
- Analysis of scoring results

6. COMPLETION & MONITORING

- Discussion of results
- Solutions and action plan
- **Project risk assessment**
- Monitoring plan

PERSPECTIVES OF STO MARKETS

Upside risks (of missed opportunities) are more unpleasant than downside risks (of factual losses).

- **EXPANSION OF SHARE OF DIGITIZED ASSETS AND DEBT PORTFOLIOS**
- **ATTRACTING COMPANIES FROM THE REAL SECTOR**
- **DECENTRALIZATION OF REGULATION**
- **HYBRID DIGITAL ASSETS**
- **ITERATIVE PROJECT FINANCE**

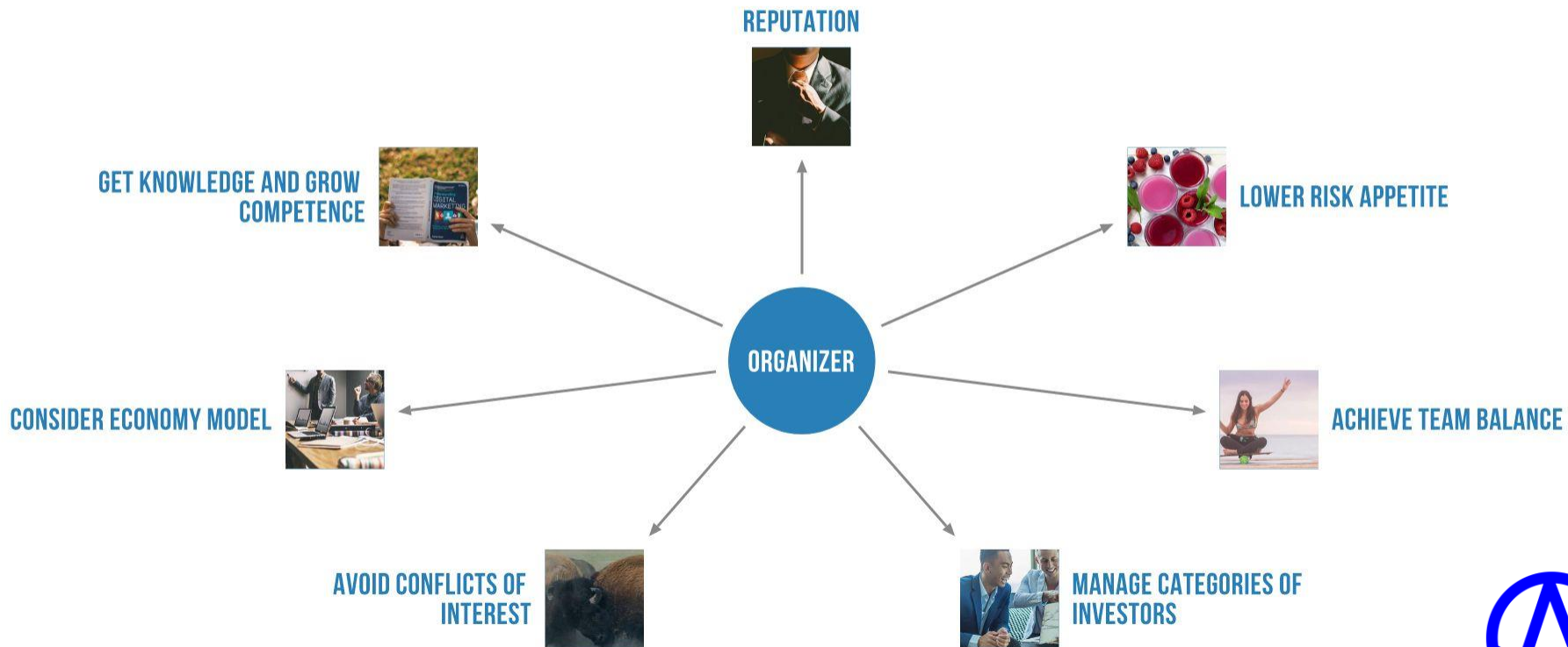
KEY RECOMMENDATIONS (1)

Important recommendation for an investor: understand/choose your risk profile



KEY RECOMMENDATIONS (2)

Project organizers, agents, providers, underwriters



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