

A Brief Explanation Behind COE Pricing

As discussed in previous documents, there are a number of ways to arrive at a valuation of COE. This document will hopefully aid you in understanding our rationale for valuation, which is quantitative as opposed to qualitative.

Market Value

The most obvious way to arrive at an asset valuation is by calculating the amount of market value the asset has. In the case of value mining, that means working out where on the chart the current value mining cycle falls. For this exercise, we broke the classes of investors down into groups. Yellow was used to represent private lenders external and a priori to the ICO investors; green was used to represent the earliest-stage investors who took the most risk, orange was used to represent the majority of investors and grey to represent a series of investors who were special cases.

COE (OPTION)				
LEVEL	NOTES	GBP/NOTE		GROSS (GBP)
1	3,960.00	£ 100.00	£	396,000.00
2	4,356.00	£ 150.00	£	653,400.00
3	4,791.60	£ 250.00	£	1,197,900.00
4	5,270.76	£ 400.00	£	2,108,304.00
5	5,797.84	£ 650.00	£	3,768,593.40
6	3,567.89	£ 1,050.00	£	3,746,283.56
7	3,046.59	£ 1,700.00	£	5,179,208.61
8	3,748.13	£ 2,750.00	£	10,307,361.63
9	5,368.68	£ 4,450.00	£	23,890,646.47
10	6,302.43	£ 7,200.00	£	45,377,509.68
11	7,329.55	£ 11,650.00	£	85,389,302.94
12	11,298.34	£ 18,850.00	£	212,973,749.64
13	12,428.18	£ 30,500.00	£	379,059,379.34
14	13,670.99	£ 49,350.00	£	674,663,554.34
15	9,063.10	£ 79,850.00	£	723,688,535.00
-	100,000.09		-	£ 2,172,399,728.60

With these tabulations in mind, we decided that GFL investors were likely the earliest-stage COE investors who took a plunge and used their COE to bet on GFL, so they got allocated all of level 3.

For Levels 4-7, we simply broke the total up among the formerly-announced percentage breakdown amounts, adding half of Level 8 in in the case of COE holders, who would have been left with only 0.5% of distributions if not. For Premine and the Premier, we took a quarter of Level 8 and split it between the two customers. This admittedly pretty simplistic mathematics resulted in a scenario where we cannot sell any new coeval below \$3,850 / COE. We always take the market valuation as being that which we – the supplier – is willing to sell at, as per standard business practice. In this case, there is around \$96 million of net market value distributed to the Money Capital investors.

Discounted Net Present Value (DNPV)

A DNPV analysis of pricing is very normal in any sort of asset valuation assessment. Essentially what it involves is working out the likely end-value of your income / asset and then discounting back over the years to work out what the present-day value of the asset is once it is fully-developed and discounted for returns that you could have made in that time period regardless.

In this case, let's assume that a crypto trader could make 10x their money per year over a period of 3 years. Now let's assess what is in the decentralised hedge fund now: a) 396,000 META b) equivalent number of pounds sterling c) ETH*98 and d) clips of ETH from FUTR/X/Y. Starting with the price of ETH is perhaps the most interesting way to perform such a valuation calculation. There is some decent evidence in the form of ETH's exponentially impossible POW mining protocol and the Casper launch that ETH is likely to rise as high on a token-per-coin basis as Bitcoin; certainly, this is not a ridiculous assumption within the next 2-3 years. On such a basis there is \$1.4m currently in the decentralised fund with around about \$2m per year income based on results thus far.

In terms of the performance of META, let's assume the standard 10* multiple, which gives the currency a value of \$100 in 2 years. This amounts to \$39.6m. Thus, the earnings by the start of 2020 are likely to be in the region of \$45m. A mild dilution of COE offset by the conversion of COE into MNY would cancel out the process of both MNY being used to swap for underlying fund assets and for any new COE purchases. At this valuation we can assume a \$1,8000 COE price, therefore.

However, the value does not take into account the additional assets that will be put into the decentralised hedge fund, including additional COE, META and even MNY purchases that will be made by the decentralised fund. Tallying these together, assume a multiple of 2x is extremely conservative: most likely, a 8-10x value is more probable, for a \$14,400-\$18,000 price point.

MNY Value

Naturally, COE is useful in terms of purchasing MNY. The point at which such purchases are made however dictates the likely amount of value that a COE holder can extract from the conversion. Note that COE and MNY value mining schedules are not synchronous; in other words, while the investor's holdings in COE are at the higher end of the scale, they will only remain so for MNY if the investor is one of the first to use their COE to convert into MNY.

For those who convert immediately, a ratio of 27,500 MNY / COE is obtainable, roughly triple that advertised prior to the aborted August ICO. With assets in the decentralised fund of \$45m or so, that is 12 cents per MNY, or roughly \$3,300 per COE. That this is the most strikingly similar to the market value, and that the market value represents also a discount of around 4x NPV (75% discount to NPV), which is a standard average ratio for such high-growth assets seems to suggest our price increase schedule, itself a synthetic replica of standard POW "halvening" events, is fairly precise.