



ICONIC

HOLDING

ICNQ Token Economics

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Foreword

Good, now that all the legal disclaimers are taken care of (which I know you didn't read anyway) I can speak to you plainly.

It has become clear to the Iconic team that not everyone truly understands the ICNQ token, its utility and how its token economics work. While this is all thoroughly detailed in the Whitepaper (which I know you didn't read either, but honestly, who wants to read boring technical/legal docs that long anyway?), I felt it necessary to draft this INCQ Economics Overview piece to elaborate on how the utility of ICNQ works in the Iconic ecosystem and how its economics were meticulously designed to drive value within that ecosystem. I will try my best to keep it short and sweet as well as objective as humanly possible and may even throw an ill attempted joke or two into the mix. Apologies in advance for my humor, and again, **this is not investment advice!**

- **Pat Lowry**
CEO, Iconic Holding



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1. The ICNQ Token

1.1. Technical details

ICNQ is a token issued by Iconic and was sold in private and public sales during the course of 2018. Overall, roughly \$2.5 million was raised in its sale. The token now trades on GBX and IDEX.

ICNQ is an ERC-20 smart contract with a total supply of 20 million. No more ICNQ tokens can ever be created. 10,000,000 unsold ICNQ tokens were burned in Jan. 2019 after the sale was concluded, meaning the maximum available supply of ICNQ is 10,000,000. As of this writing, roughly 4 million ICNQ tokens are in circulation, 2 million are held in reserve by the company, 900,000 are held by Iconic on behalf of a private investor/strategic partner, and 3.1M will be distributed to the Iconic team on April 1, 2019, the end of the 1 year lock up period for the team.

Full ICNQ details on the Ethereum public blockchain can be found here: [Etherscan](#)

1.2. Economics Overview

The ICNQ token was designed with two primary functionalities in mind:

- Holders have Iconic Lab Venture Capital Club Membership rights
- Users can pay in ICNQ as a Voucher (prepaid gift card) for Iconic services and products

The dual functionality design was decided on by the Iconic team after a thorough analysis of which token models drive value best. In our analysis we determined that the best tokens:

- **Drive demand**, based on the utility offering of the token for the underlying business
- **Decrease velocity**, which is basically a fancy way of saying incentivize limited trading, specifically sell-side, through strong use cases to hold large quantities of the token
- **Offer Rewards** through loyalty programs that incentivize behavior in the ecosystem
- **Limit supply** through Iconic committing to burning 10% of the tokens it receives back as vouchers on a quarterly basis rather than resell them to the secondary market

At the end of the day, ICNQ was designed to be scarce using these drivers, which were successfully built into ICNQ through the dual-functionality model above. Further, two classes of ICNQ token holders exist based on amounts held; the ICON Class and the ICNQ Class. The economic impact of these functionalities and value drivers are detailed in Section 3.

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2. Iconic Business Overview

Iconic Holding is a crypto asset management firm headquartered in Frankfurt Germany with additional offices in London and New York. There are currently 10 full-time employees of Iconic, and its investors include FinLab and HTGF, both prestigious VCs in Germany. It is the parent company to two distinct businesses:

- Iconic Lab: a decentralized venture capital group and token sale accelerator
- Iconic Funds: a manager of a portfolio of crypto asset index funds and publisher of AMaaS



2.1. Iconic Lab

Iconic Lab has two primary business purposes.

- Iconic Lab invests into and develops blockchain and crypto startups
- Iconic Lab consults late-stage companies and corporate clients

Collectively, Iconic Lab helps both of the aforementioned types of Portfolio Companies complete a token sale, whether it be an Initial Coin Offering (ICO), or Security Token Offering (STO). All the companies are referred to as Portfolio Companies by Iconic.

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Iconic Lab earns revenue based off the success of the Portfolio Companies token sales for companies it invests into, and from consulting fees from corporate clients that are scaled and do not require investment from Iconic. The fees Iconic Lab receives back from startups we invest into are in the form of the companies own token, which we lock away as a sign of good faith in our longterm belief in the project. The fees we receive from consulting clients are denominated in fiat, but payable with a discount if paid for in ICNQ purchased from the market or held by the company.

Today, there are 10 Iconic Lab portfolio companies with 9 companies currently in the token sale accelerator program. Over \$1 million has been invested into the companies, and \$25 million has been raised so far in follow-on investment rounds from external sources after joining the program through an ICO, STO, Equity or traditional crowdfunding. 8 of the companies will be completing their token sales in 2019, with the earliest beginning in Q2. Stay tuned!

2.2. Iconic Funds

Like Iconic Lab, Iconic Funds has two primary business purposes

- As an Asset Manager for a series of crypto asset index funds
- Operator of the Asset Management as a Service (AMaaS) platform for external crypto asset managers

Iconic Funds crypto asset index funds offer investors diversified exposure to the crypto markets, similar to what an S&P 500 ETF from Vanguard or Blackrock does for US equity markets. The funds are traditional funds (not tokenized) with the first fund expected to receive final regulatory approval next month. Iconic Funds uses licensed service providers such as custodians, trade executioners, banks, auditors, etc... to deliver an enterprise-grade, compliant crypto index fund.

AMaaS is a one-stop-shop for crypto asset managers to launch their own compliant fund and crypto investment strategy leveraging the infrastructure of Iconic Funds through a singular digital portal. The portal will be live in Q3, and the onboarding of asset managers has already begun.

Iconic Funds' index funds earn revenue by charging what is called Management Fees, which is a percentage based off how many assets under management (AUM) the funds manage. Each fund is its own legal entity that Iconic Funds, as the asset manager, charges the management fees to. For example, Iconic Funds charges a 1% Management Fee. If a fund Iconic Funds manages has \$10M AUM that was invested into it, Iconic funds earns \$100,000 (1% of \$10 million) in revenue from that fund per year. If Iconic Funds manages \$100 million AUM, it earns \$1 million in revenue. Each fund pays management fees owed to Iconic Funds in ICNQ it purchases off the market.

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AMaaS is still being built and will be available in Q3. Revenue streams of AMaaS will be fees charged to the asset managers or funds that launch on the AMaaS platform. Similar to Iconic Lab, the fees will legally be denominated in fiat currency, and payable in ICNQ with discounts to incentivize ICNQ's use.

3. ICNQ Economics

Now that everyone is familiar at a high-level with Iconic's business units and the ICNQ token (or at least, I hope you are), lets see how the economics work in practice!

3.1. ICON and ICNQ Classes

First, let's elaborate on the ICON Class. ICON Class members are holders of the lesser of 100,000 ICNQ tokens or \$100,000 worth of ICNQ tokens. ICON members are identified based by their reported private wallets on a monthly basis. ICON Class members have preferential rights within the Iconic system that are detailed below.

ICNQ Class members are anyone that holds at least 1 Satoshi of ICNQ. Anyone who is a holder of ICNQ and not an ICON is a member of this class.

As we move on, try to recall our 4 key value drivers as we dive into the economics; drive demand, decrease velocity, offer rewards and limit supply.

3.2. Iconic Lab

The primary use case of ICNQ for Iconic Lab is as a membership right to the decentralized venture capital club. Holders of ICNQ tokens receive privileged access to the exclusive presales of Iconic Lab token sale accelerator program graduates. Every token holder who passes KYC for a sale of a portfolio company has the right to participate in the exclusive discounts offered only to ICNQ holders, based on their pro-rata holding of ICNQ tokens who register for the offering's white-list.

As an example for ICNQ Class members, if a graduate is selling 1 million tokens worth \$1 million at par in an ICNQ presale, and the exclusive discount is 50%, ICNQ holders have the right to purchase the 1 million tokens for \$500,000. If you own 5,000 ICNQ, and 500,000 of ICNQ tokens from holders sign up for the whitelist of a portfolio company, you would be eligible to purchase up to 1% of the presale, or 10,000 tokens, for a price of \$5,000 and a value of \$10,000. Holding

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10,000 ICNQ, in this scenario, earned this individual an extra \$5,000 at par, of course to be adjusted for any gains and losses once the purchased token hits the secondary markets.

ICON Class members benefit from not being restricted in the amount of tokens they can purchase and may negotiate the size of their investment directly with the startup. The discount remains the same as the ICNQ class, however they are not required to sign up for the pro-rata whitelist.

As you can see, the intent in ICNQ's design here was both to reward loyal holders of the token (IE club members), and to incentivize holding large amounts of the token in private wallets, thus removing the tokens from exchange wallets and limiting the trading, particularly sell-side, supply. This decreases the velocity of the token while driving demand through Iconic Lab's ability to attract high quality startups. Further, demand of ICNQ may come from consulting clients of Iconic Lab who opt to pay their fees in ICNQ to receive fiat-denominated fee discounts.

3.3. Iconic Funds

The primary use case of ICNQ tokens for Iconic Funds is the management fee payment each crypto index fund makes in ICNQ it must purchase from the open market. These are recurring, monthly payments that are made to Iconic Funds' by each fund, and thus, guarantee monthly market purchases of ICNQ as long as the funds operate. As the funds' AUM grow from new investors subscribing or the index value growing, the funds will have to purchase more ICNQ on the market.

Going back our prior example of a \$10 million AUM fund, this fund would owe Iconic \$100k in fees per year. It would purchase \$8,333.33 worth of ICNQ per month on the market to pay Iconic. Similarly, a \$100 million AUM fund would pay Iconic \$1,000,000 in fees per year, and thus be required to purchase \$83,333.33 worth of ICNQ each month to pay its management fees. Iconic Funds goal is to grow its AUM to be one of, if not the very largest crypto asset manager in the world, which has a clear impact on the institutional demand of the ICNQ token.

Similar to Iconic Lab, Iconic Funds offers two share classes for each fund, an ICON and an Investor Class. The ICON share class is reserved exclusively for ICON Class ICNQ holders, and subscribers to this share class pay reduced management fees. The standard share class fee is currently 1%, with the ICON class .5%.

AMaaS, once it is live in Q3, will follow a similar approach to Iconic Lab's voucher model for consultants. Clients on the AMaaS platform will have the opportunity to pay their fees in ICNQ tokens for discounts, rather than full price in fiat. As external asset managers onboard onto AMaaS,

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they will further drive demand for ICNQ tokens in order to pay their fees in ICNQ. As always, 10% of all tokens redeemed to Iconic will be burned quarterly.

While Iconic Lab's use case for ICNQ is primarily the membership function which is aimed to decrease velocity of the token and limit trading amounts, Iconic Funds use case of ICNQ is primarily as the voucher instrument. As such, Iconic Funds and the AMaaS platform drive the continual, institutional demand for ICNQ to pay services rendered as Iconic scales as a company. The economic value of the balancing of these forces would theoretically be reflected by the market.

3.4. Economic Implications (OBJECTIVE DATA & FACTS ONLY)

So, what on earth does this all mean? Well, it means there is economic value in being a member of the ICNQ VC Membership Club, as the above example illustrates, as well as value driven through the demand of ICNQ for Iconic Funds and AMaaS. Given ICNQ's scarcity, these factors have a direct impact on the price of ICNQ on secondary markets. (NOT INVESTMENT ADVICE!)

As of this writing, the price of ICNQ is roughly \$.04 which implies a market cap of \$400,000 when considering the maximum supply of 10,000,000. Using [Etherscan](#) we see about 100,000 ICNQ in the GBX exchange wallet, with 700,000 on IDEX. This shows the VC Club Membership is in full effect, as less than 10% of the tokens are even on exchanges to trade as people hold ICNQ.

There are roughly 200,000 ICNQ available for purchase on market order books, available for about 800 ETH, worth roughly \$112,00 given ETH's price of \$140. Going back to our \$10 million fund example, this fund would purchase \$100,000 of ICNQ in one year to pay fees. This amount would push ICNQs price on IDEX to roughly .0893 ETH, or roughly \$12.50, implying an ICNQ market cap of \$125,000,000. This would make ICNQ a top-50 crypto asset by market capitalization. Of course, this is a radical hypothetical and there will be sell-side pressure over the year, but this highlights just how scarce ICNQ is, precisely as it was designed to be as Iconic businesses scale.

4. Closing

Balancing ICNQs usability as both a membership right and voucher instrument for Iconic services uniquely satisfies the four targeted value drivers we identified in a way unmatched by most other crypto projects. As we continue to scale Iconic Lab, Funds and AMaaS we believe we will see a strong adoption of ICNQ within our ecosystem as we bridge the traditional and crypto investment worlds, adding in new ICNQ functionalities along the way. Every financial instrument and real-world asset will be tokenized. At Iconic, we are laying the framework to enable this world.

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