



**Vertalo Distribution Network (VDN):
Enabling Digital Asset Platform Success**

VDN Provides Access to Vertalo's Digital Technology Platform
Without Upfront Development or Licensing Costs

TABLE OF CONTENTS

ABSTRACT

EXECUTIVE SUMMARY

INTRODUCTION

ADVANTAGES OF DIGITAL ASSETS

CHALLENGES OF DIGITAL ASSETS

THE DIGITAL ASSET CONUNDRUM

THE SOLUTION: VERTALO DISTRIBUTION NETWORK (VDN)

VDN FEATURES

VERTALO SANDBOX ACCOUNT

VDN TRAINING PROCESS

TRANSITION TO REVENUE

VERTALO TEAM

PARTICIPANT QUALIFICATIONS

SUMMARY

LEARN MORE ABOUT VDN

ABOUT VERTALO

ABSTRACT

Vertalo Distribution Network (VDN) catalyzes highly-motivated investment firms, digital asset platform businesses and real estate entrepreneurs to become tomorrow's leaders in the digital asset ecosystem. VDN participants are positioned, without incurring upfront costs, to offer their issuer clients market-leading, scalable digital platform technology and become the digital asset industry's most highly-regarded and successful product, service, and technology providers. VDN enables companies to educate, attract and develop new issuers and investors by offering the most advanced digital tools and services on the market.

EXECUTIVE SUMMARY

Investment firms involved in raising capital, including broker-dealers, registered investment advisors (RIAs), investment banks, capital advisors and crowdfunding platforms are incorporating digital assets into their investment offerings. Multi-issuance platforms are digitizing (fractionalizing) assets to create blockchain-based digital tokens backed by tangible and intangible assets. Furthermore, the estimated \$16 TR of commercial real estate in the U.S. may lead the adoption of digital assets.

Digital asset business development initiatives require a right-priced digital asset technology platform that provides digital stakeholder registry management, digital asset tokenization, integration with third party service providers, and compliance interfaces (UX/UI) that confirm investor identity and ownership.

The cost of designing, developing and maintaining a digital asset platform is beyond the resources of most companies. For service providers who want to resell digital asset technology, the option of buying or licensing from providers is cost prohibitive. As a result, firms are unable to provide the benefits of digital assets to their issuer clients in a cost-effective manner.

Barriers to entry for technology resellers must fall for adoption of digital assets to improve. To address this need, Vertalo is introducing the **Vertalo Distribution Network (VDN)**. VDN provides a comprehensive technology, product, and service digital asset platform that enables companies to build a successful digital asset business, without incurring upfront software development or licensing costs. Most importantly, VDN enables a participant to scale their digital business without limitation to the number of their issuer clients, deals or investors.

Through the VDN program, Vertalo is granting access to its technology platform to participating companies to build their digital asset business. By externalizing the deal flow and discovery process to resellers, Vertalo acts as a sales and business development partner to companies and entrepreneurs to facilitate their success and catalyze the adoption of digital assets.

INTRODUCTION

In July 2020, we saw record-breaking numbers in digital asset trading volumes and investor onboarding, a promising sign for liquidity in security token markets.. Overstock.com’s OSTKO and TZERO’s TZROP tokens have strong daily trading and are at approximately \$150 million and \$75 million market capitalization, respectively.

As the advantages of digital assets become clear as shown in Figure 1, investment firms involved in raising capital, including broker-dealers, registered investment advisors (RIAs), investment banks, capital advisors and crowdfunding platforms, are incorporating digital assets into their investment offerings. Multi-issuance platforms are digitizing (fractionalizing) assets to provide new forms of democratized ownership for tangible and intangible assets, including equity shares, real estate, commodities, intellectual property, energy projects, art, music, and even luxury goods and supercars. Further, real estate is the largest global asset class and, in

particular, the estimated \$16 TR in commercial real estate in the U.S. may lead the adoption of digital assets.



Figure 1

Digital asset business development initiatives require a right-priced digital asset technology platform that provides a suite of services, including digital stakeholder registry management, tokenization, integration with digital service providers, and investor interfaces (UX/UI) that confirm identity and ownership.

The cost of designing, developing and maintaining a digital asset platform technology is beyond the resources of most companies. For others, the option of

buying or licensing from providers is cost prohibitive. As a result, many investment, digital platforms and real estate firms are unable to provide the benefits of digital assets to their issuer clients in a cost-effective manner. The high cost of this mission-critical technology is creating friction in the widespread adoption of digital assets.

ADVANTAGES OF DIGITAL ASSETS

The benefits of digital and programmable assets extend far beyond improved liquidity for private assets. Digital assets are helping businesses save costs on administrative fees related to fundraising and investor management. Additionally, investors gain the benefits of having digitally managed ownership, including:

- Investor portal & digital login to access asset data
- Programmable transfer and trading.
- Reduction of operational expense.
- Stakeholder registry
- Compliance management.
- Fractional (democratized) ownership.
- Speed and ease of processing and transparency.
- Data integration with digital service providers.
- Digital assets as collateral for debt instruments and Defi transactions.
- Innovative financial instruments.
- New incentivization programs.
- Future-proofing investments and ownership.

Digital assets are designed to fit into a traditional investment process. The digital shares are designed with the rules and restrictions put in place by the issuing party. This can be done on existing ownership or a new issuance. Any asset is eligible for digitization and the associated programmatic benefits are shown in Figure 2:

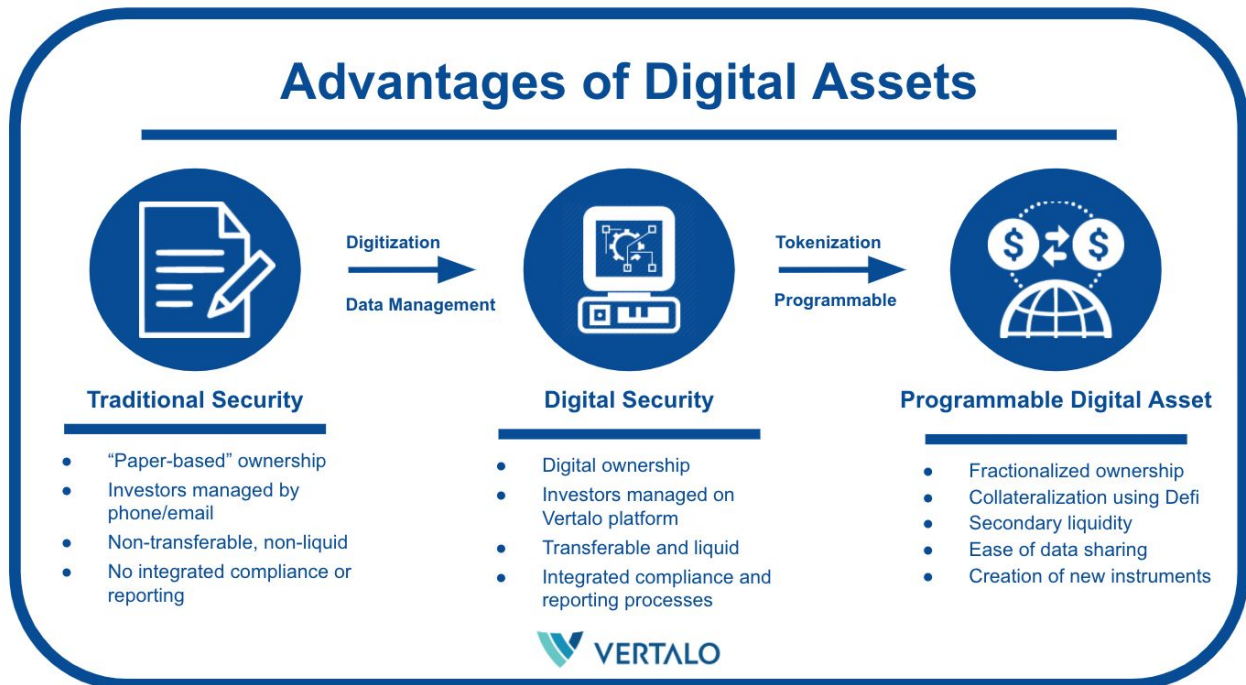


Figure 2

At Vertalo, we've created a division specifically focused on digital assets in Real Estate. Vertalo Real Estate is working to bring more real estate backed digital securities to market. The advantages of digital assets tailored for real estate investments are shown in Figure 3:



Figure 3

CHALLENGES OF DIGITAL ASSETS

Despite the clear benefits of digital assets and security tokens, hurdles still exist for this technology to reach its full potential. The shortcomings that slow the widespread adoption of digital assets are shown in Figure 4:

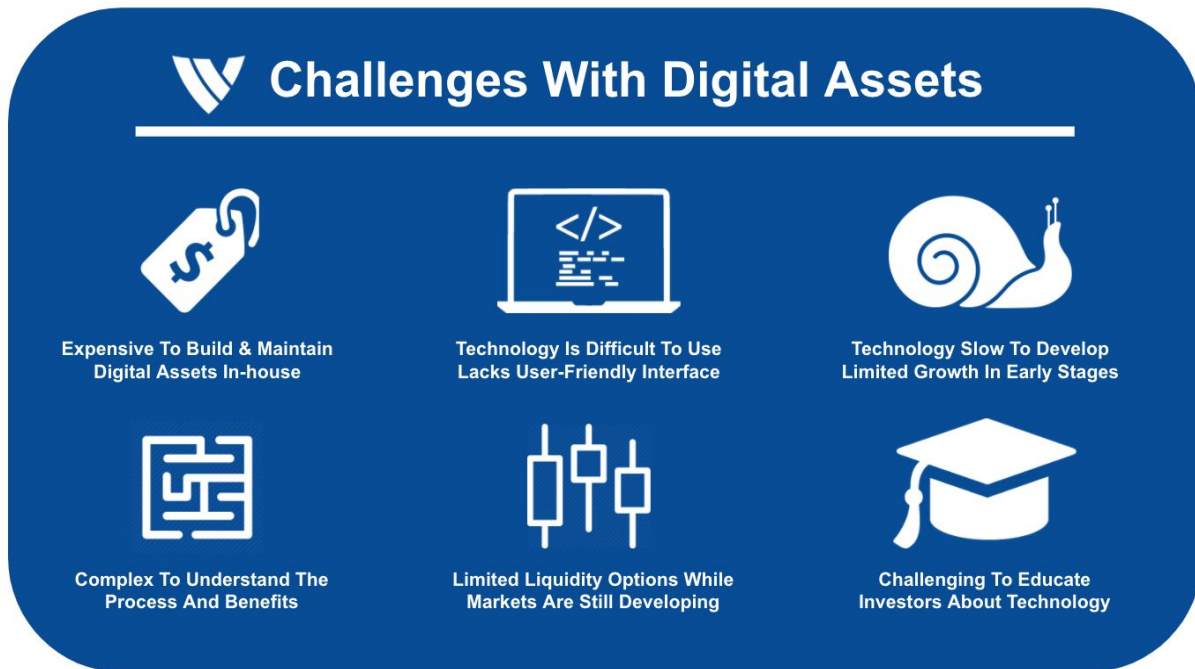


Figure 4

Digital wallet requirements slow the adoption of digital assets. Cryptocurrency digital wallets create a perceived risk of an investor losing access to their assets if they lose their digital wallet's private key. The requirement for cryptocurrency savvy remains a major hurdle to the widespread adoption of digital assets and, for many traditional investors, marks the end of the conversation on investments involving digital assets.

Real estate suffers from high administrative costs and low liquidity options caused by antiquated technology, where investor and user data cannot be easily managed or shared. The path to digital assets is not certain and requires specialized expertise that is not available to most real estate investment firms.

The result of these challenges is that company budgets for licensing, building or acquiring the necessary digital asset technology are often small or nonexistent.

THE DIGITAL ASSET CONUNDRUM

The guidance received by those who desire to build a digital asset business at a company often is “bring a client who will pay to digitize their assets and then a (small) budget will come”. This creates a difficult conundrum to resolve:



Which comes first:

The digital asset business
or the digital asset platform?

Without technology, expertise, or a ready client most companies do not have a practical path to build a successful digital asset business.

THE SOLUTION: VERTALO DISTRIBUTION NETWORK (VDN)

To increase the adoption of digital asset and security tokens, Vertalo launched the **Vertalo Distribution Network (VDN)** to help digital asset companies by removing upfront technology costs. In providing market-leading digital platform technology while eliminating an upfront technology expenditure, VDN immediately transforms a participating investment firm, real estate provider or asset tokenization platform into a scalable digital product, service, and technology leader, as shown in Figure 5.

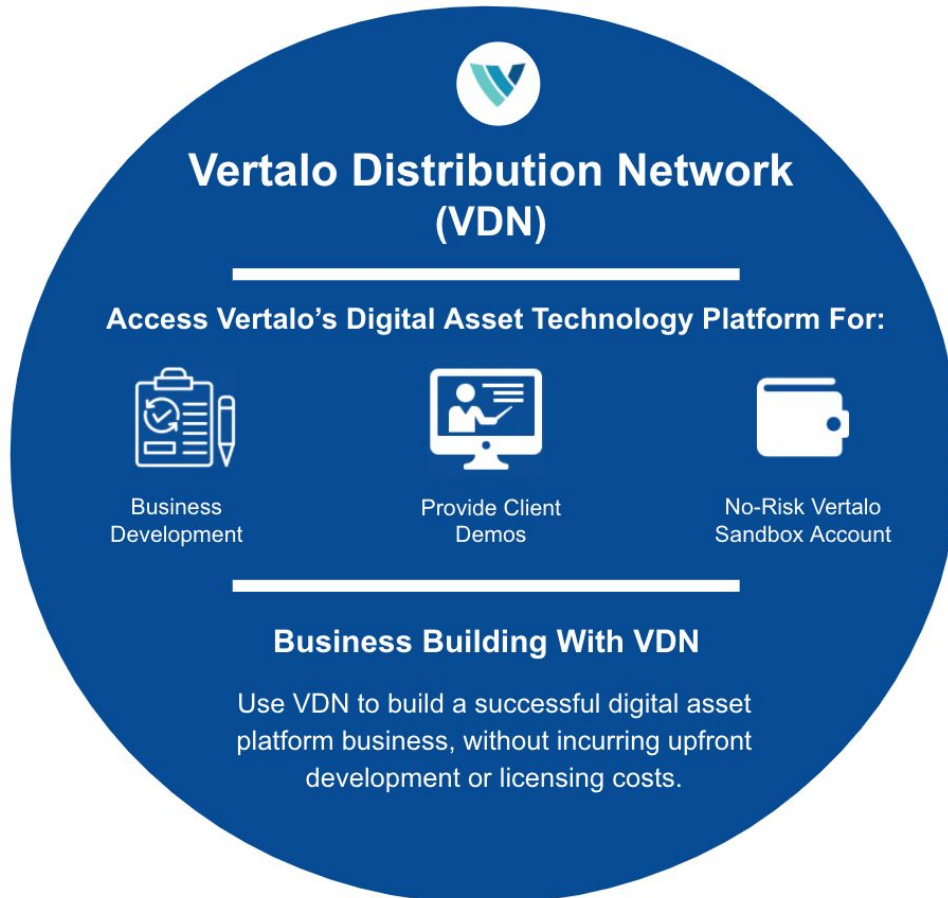


Figure 5

The business model underlying VDN is proven: Vertalo client **DealBox** (dlbx.io/) recently announced a milestone in the use of Vertalo's technology with issuers: [DealBox Onboards 8 Clients Onto Vertalo, Continues to Expand Platform Offering with Digital Transfer Agent Partner](#). Also, Dealbox expects to onboard a total of 22 clients with \$200 million in aggregate deal flow onto the Vertalo system by the end of Q3 2020. Vertalo has a [DealBox Case Study Report](#) which is available by request.

"We're 'giving access to our Vertalo platform away' to qualified investment firms, real estate companies and asset fractionalization platforms who are serious about building successful multi-issuance digital asset consultancies. By launching the Vertalo Distributor Network (VDN) program, Vertalo is enabling our VDN partners to drive digital asset transformation by owning the sales process. We believe that these agile, first-mover VDN partners will become winners in the growing digital asset space."

Dave Hendricks, Vertalo CEO & Co-Founder



VDN participants streamline their offering process by abstracting digital wallets and blockchain out of the User Experience (UX) and User Interface (UI) for issuers and their investors. Investors no longer need to know anything about cryptocurrency, blockchain or digital wallets to participate in a digital offering. Vertalo, from inception, prioritized client UX/UI and data management needs and, as a result, simplified the digital asset experience for issuers and investors. The result is that Vertalo is an excellent long-term partner for companies building a digital asset issuance business.

VDN empowers participants to attract and close deals with digital issuers. The no upfront cost and no obligation VDN program enables a company to attract potential clients by modeling and demoing a client's capital raise, stakeholder registry, tokenization and data management strategy at no risk and no obligation to the company or issuer. Most importantly, VDN enables a participant to scale their digital business without limitation to the number of their issuers, deals or investors.

VDN participants sign up for access to the Vertalo platform without upfront cost for demo and business development. Upon closing revenue-producing digital business, VDN participants can enter into a preferred-price Vertalo Production licensing agreement to support their revenue-producing digital clients. As such, VDN enables participants to successfully execute their digital business development initiatives, at scale, without incurring digital asset platform costs until revenue is generated.

VDN FEATURES

VDN helps Vertalo partners build their digital asset business through these powerful tools:

- **Vertalo Sandbox** a no-risk Vertalo system learning account set up for each VDN participant. The Sandbox account enables participants to demonstrate to clients how to 1) manage the capital raise process into a final stakeholder registry, 2) easily tokenize the stakeholder registry and 3) manage investor data. In the Sandbox, mistakes do not have real-world consequences.
- **Vertalo Keyless Wallet** eliminates the requirement that investors hold their tokens in a self-sovereign wallet (like MetaMask) *and* store a private key.
- **Tokenization** using Ethereum and Tezos chains (and chain swapping between chains).
- **Hands-on and video training** of the Vertalo system and sales support in closing prospects.
- **Vertalo User Community** via *Telegram* and Slack
- **Regular updates and training** on the Vertalo system.

Vertalo Real Estate (VRE) provides specialized expertise to real estate platforms in the secure and efficient creation, issuance, and management of digital real estate assets. VRE provides the



most fluid and practical digital functionality for real estate capital raising, asset governance, automated compliance, investor management, and custodial solutions.

VERTALO SANDBOX ACCOUNT

VDN provides each registered participant with its own password-protected Vertalo Sandbox account as a no-risk learning and client demo environment. The Vertalo Sandbox includes the following functionality:

- **White-Label Front End** - Includes VDN member company logo.
- **Stakeholder Registry** - Fully documented and backed-up on-chain and off-chain ownership records for traditional and tokenized assets.
- **Capital Raise Monitoring Function** - Upload a pro forma stakeholder registry of potential investors with add/delete investors and update amounts to build a Closed stakeholder registry ready for tokenization.
- **Tokenization (in seconds in demo mode)** - Tokenization is fast, easy, and can occur before or following an offering's close.
- **Ethereum and Tezos Chains** - Both chains are available on a per offering basis. Personal information is not stored on-chain and a private database backs up all data.
- **Chain Swap** - Burns tokens on the old chain and issues tokens on the new chain.
- **Keyless Wallets for Investors** - Investors are not required to open a self-sovereign digital wallet (e.g. MetaMask) and maintain a private key. Investors access Keyless Wallets through a web browser using their email address and password.
- **Controller Function** - Clawback illicit transactions and restore proper ownership.
- **Connectivity to ATs and Exchanges (Listing Fees are Separate)** - Available in Production but not in the Sandbox environment.
- **KYC/AML and Accreditation Services (Vendor Fees Separate)** - Available in Production but not in the Sandbox environment.
- **Plus: All Vertalo System Enhancements** - New functionality and integrations.

VDN TRAINING PROCESS

VDN provides extensive support to VDN participants, including the highlights in Figure 6:

- Training on the Vertalo System.
- Practice giving Vertalo demos.
- Support during live Vertalo demos.
- Digital asset education webinars.
- Vertalo system and sales webinars.
- VDN User Community via *Telegram* and Slack.
- Vertalo Real Estate (VRE) specialized expertise on digital real estate transactions.



Figure 6

TRANSITION TO REVENUE

Upon closing revenue-producing digital business, VDN participants can enter into a preferred-price Vertalo Production licensing agreement to support their revenue-producing digital clients. Client implementation is easy by transferring client data from the VDN participant's Sandbox account or uploading a closed stakeholder registry onto Vertalo's Production System. Vertalo's Customer Success group optimizes this process. The result is that VDN participants stay focused on their business building as clients move into Production on the Vertalo system.

VERTALO TEAM

The Vertalo team serves VDN participants and includes:

Vertalo



Dave Hendricks
CEO



Allan Chiulli
VP Growth



Collin Sellers
Director of Customer Success

Vertalo Real Estate (VRE)



Alec Beckman
VRE Director
Business Development



Marc Paquin
VRE Director
Customer Success



Dylan Rhodes
VRE Director
Marketing

PARTICIPANT QUALIFICATIONS

VDN participant qualifications include:

- Desire to build a multi-issuance digital asset business.
- Vertalo is the participant's exclusive digital asset platform relationship.
- Digital asset business plan or description.
- Enthusiastic and knowledgeable about digital assets.
- Willing to learn the Vertalo platform.
- Digital activity is legal in all 50 states.

SUMMARY



Vertalo Distribution Network (VDN) catalyzes digital success by empowering highly-motivated investment firms, digital asset platform businesses and real estate entrepreneurs to become tomorrow's leaders in the digital asset ecosystem. VDN participants are positioned, without incurring upfront costs, to offer their issuer clients market-leading, scalable digital platform technology and become the digital asset industry's most highly-regarded and successful product, service, and technology providers. VDN enables companies to educate, attract and develop new clients and investors by offering the most advanced digital tools and services on the market.

LEARN MORE ABOUT VDN

Please contact Allan Chiulli, Vertalo VP Growth, at allan.chiulli@vertalo.com, (303) 594-5753 or set up a Discovery call at:

<https://calendly.com/allan-chiulli/vertalo-distribution-network-call>

For Real Estate Providers Interested in VDN

Please contact Alec Beckman, Vertalo Real Estate Director, at alec.beckman@vertalo.com, (215) 990-7485 or set up a Discovery call at:

<https://calendly.com/alec-beckman>

ABOUT VERTALO

Vertalo is a SEC Registered Transfer Agent that connects and enables the Digital Asset ecosystem of ATSS, Broker-Dealers, RIAs, Custodians, KYC/AML providers, Issuers and Investors. Vertalo's data management platform offers stakeholder registry maintenance, token issuance, and connections to liquidity venues through SaaS licensing, white-labeled partnerships, and Joint Venture agreements.

www.vertalo.com