TRUSTTOKEN (TRU)

23 March 2018

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Produced by Picolo Research

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TRUSTTOKEN (TRU)

Tokenizing real world assets to create fully collateralized fractional ownership

Summary

The TrustToken Platform aims to be a protocol to tokenize and transact on real-world assets on blockchains in a legally enforceable, fully accounted and collateralized way. Specifically, it is a proprietary legal and technical framework utilized to tokenize various real-world currencies and assets. Potential areas that can be tokenized are assets such as real estate, patents, media, copyrights, sports teams, collectible art, and commodities like gold and oil.

Concept | MVP | **Established**

Company overview

TrustToken is a company based in the United States that provides the technology and maintains the TrustToken platform and its underlying stable coins.
The TrustToken Platform is broken into following components:

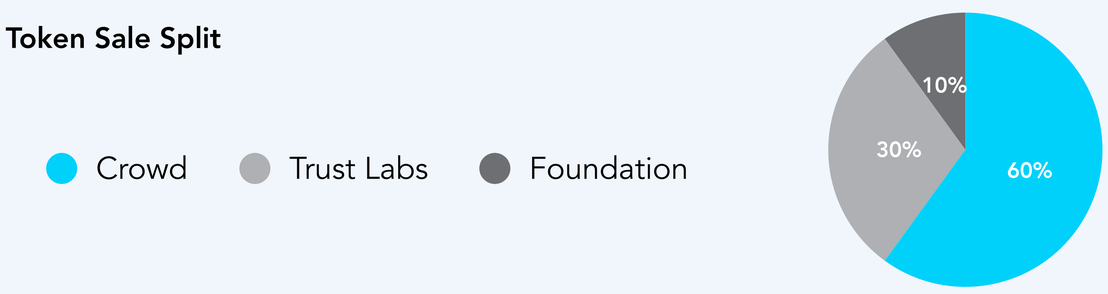
- **SmartTrust** – legal contract that designates the asset ownership and custody to a smart contract on a blockchain
- **TrustMarket** – marketplace where "clients can hire fiduciaries who interface with legal-financial institutions and are legally bound to manage assets as instructed by the smart contracts."
- **TrustProtocol** – "protocol specifications that specify how smart contracts can direct fiduciaries"
- **TrustVault** – decentralized storage system that is auditable
- **TrustToken** – "platform's incentive layer to reward trustworthy behavior, create an audit trail, and collateralize property"

Token Sale

There have been very few details released regarding the tokenomics and deal-structure of TrustToken.

The company indicates that the public sale will be capped at ~$16m, however at this point in time, we don't have complete clarification regarding the max cap for the private sale/institutional round. The management team conveyed the following splits to Picolo analysts.

Token Sale Split



Buy

★★★★☆

General

Ticker:	TRU
White Paper:	TBA
Sale Period:	April 2018
Website:	Click here

Sale info

Pricing:	$0.08 > $0.12
Accepted:	ETH
Min Goal:	NA
Cap:	$16m Public
Escrow:	Smart Contract
Bonus:	TBA

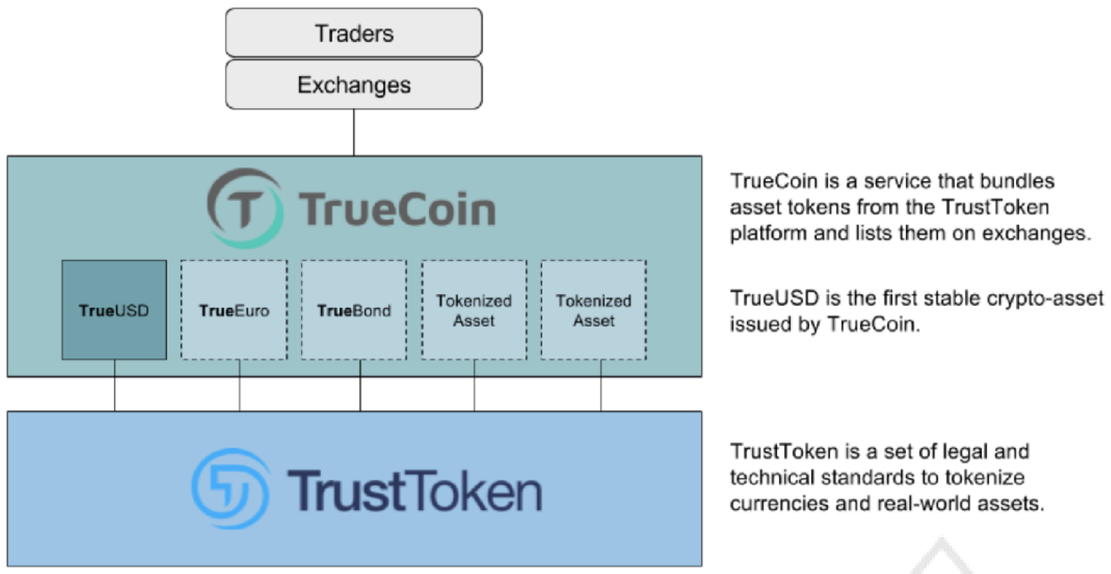
Checklist

Management:	✔
Product:	✔
Commercial:	✔
Interest:	✔
Fulfilment:	

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Commercial & Technical Strategy

Already having made considerable progress into establishing their platform, such as collaborating with financial regulators, trust companies, and banks to secure the backing of TrueUSD, its first stable token, the commercial strategy going forward is to gain even more partnerships and adoption. One of the largest blockchain hedge funds (BlockTower Capital) has already publicly supported the platform and said they would utilize it.



Roadmap

TrustToken has already completed a significant amount of work to date.

Q3 2017 – Complete SmartTrust platform, SmartTrust platform launch, Start development for TrustProtocol

Q4 2017 – Establish partnerships with banks and exchanges, continue to develop TrustProtocol, Pre-sale fundraising for TrustToken protocol (which TrueUSD is built on top of)

Q1 2018 - Launch support for wire transfer purchases/redemptions, Deploy TrueUSD smart contract, Launch TrueUSD for traders and institutions (alpha)

Q3 2018 - Launch TrueUSD beta for public

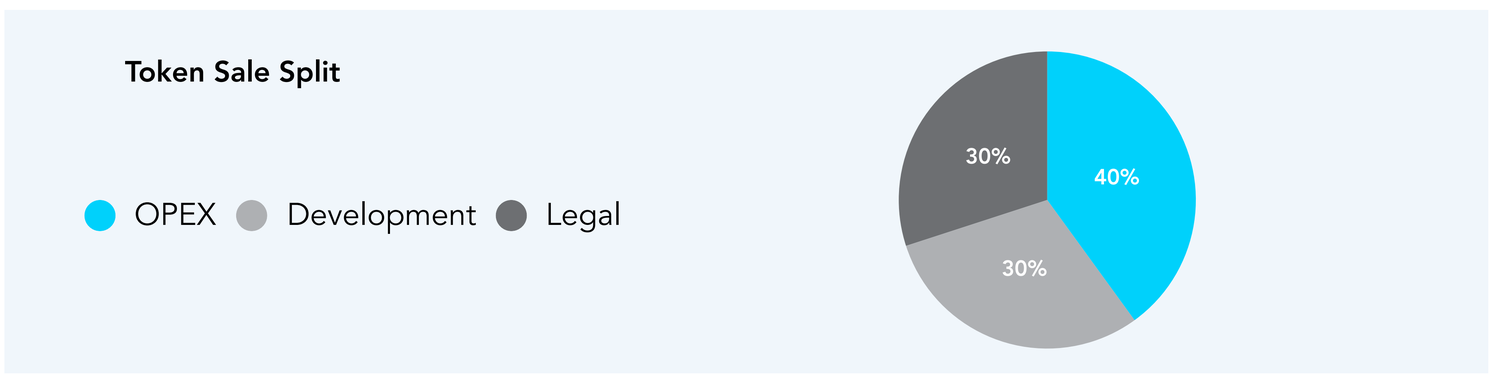
Token Use

TrustTokens are integral to the protocol as the:

- incentive mechanism to reward positive and trustworthy behavior, which is of vital when dealing with an asset whose value is backed by a true asset.
- audit trail for transparency and trust among token holders and potential investors
- collateralizing mechanism for the underlying property

Use of Proceeds

While a complete breakdown of anticipated expenditure has not yet been provided, analysis of the materials provided by the team has indicated that the vast majority of funding will go towards operation expenses (OPEX), development and legal services.



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Team

The TrustToken team (~ 11 people) is filled with pedigreed members coming from Stanford University, Google Brain, Palantir Technologies. In the most important technical function of the company, the CTO, has a strong background in Machine Learning and is deeply immersed in the Stanford & M.I.T community, founding HackSphere, which brings those engineers together.

We note some of them below:

Rafael Cosman – CTO of TrustToken. has Machine Learning background (Google Brain and Palantir) and is founder of HackSphere, a private community of 200+ Stanford and M.I.T Engineers.

Stephen Kade - Cofounder of TrustToken. Previously researcher at Kernel and Co-founder at NeuroTechX

Daniel An – CEO of TrustToken. Daniel has an IT and data science background and has some experience managing developers at PwC.

Partners & advisors

There is a total of 16 advisors listed currently including marquee names such as:

BlockTower Capital: crypto hedge fund that has already verbally committed to using one of Trust Token's stable coins (TUSD)

Stanford's StartX Fund: a reputable accelerator program

Founders Fund: technology-focused venture capital and funding

Cohen & Co: A Top 50 accounting firm with cryptocurrency expertise

Importantly, TrustToken enlists the use of various trusts to back their stablecoin. Of notable importance, is **Sterling Trustees**, based out of South Dakota, the United State's most progressive trust jurisdiction and has numerous legal and tax benefits.

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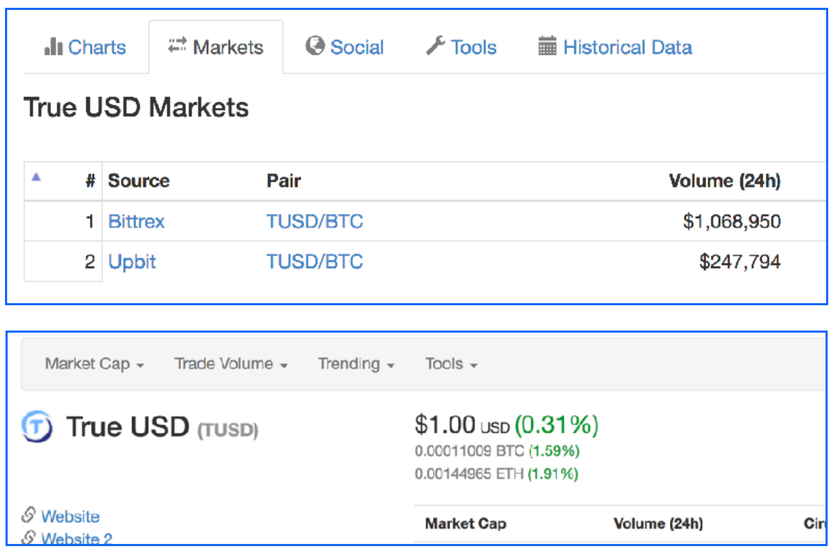
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Strengths

- TrustToken has already released their first token known as a stablecoin (TrueUSD or TUSD). The token is already listed on Bittrex and commands a higher average volume than Maker's DAI.

TrustToken has already released its first token as TrueUSD (TUSD) a stable coin collateralized by US Dollars.



- The legal and technical framework in regards to custody ownership of the assets and legal contracts is very strong, completely the opposite to Tether where there is no technical legal recourse if they misappropriate funds.

- The team has already made significant traction in regards to adoption with hedge funds and active market makers seemingly anxious to use the platform, at least for TrueUSD.

- Deal structure of the offer is compelling. The hard-cap is relatively low for an ambitious project of this size.

- The team has sufficient experience from both a commercial and technical perspective.

- Institutional support from key players including hedge funds shows that there is significant demand for such solutions.

Weaknesses

- The TrustTokens are currently considered securities as they are treated as "pre-functional" by the SEC. As per our understanding, TrustToken is working with top law firms to make sure there is necessary utility.

- There are scalability concerns as adoption continues for larger amounts of assets.

- The market is currently dominated by USDT (tether). While tether has experienced numerous setbacks recently, it is still considered the largest competitor.

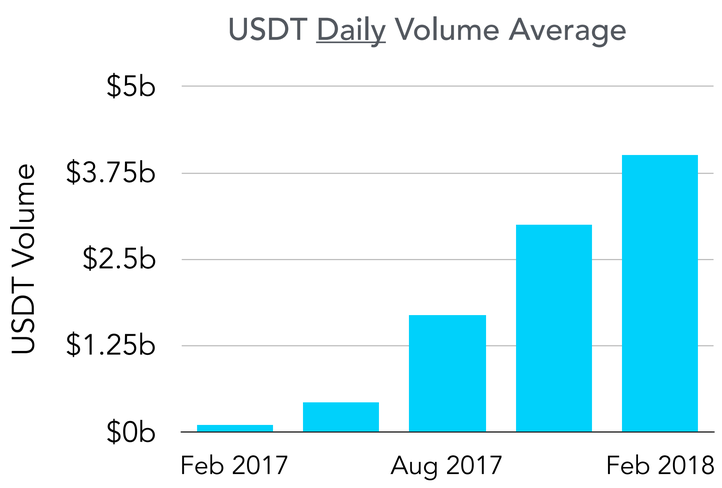
- TrustToken partners with Trust companies to hold the funds underlying the TrueUSD tokens. Theoretically, TrustToken has no access to the funds themselves, yet they have the ability to block any redemption of any TrueCoin should people not meet KYC/AML requirements.

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Opportunities

- As more institutional investors in the space enter, they all have a significant interest in using TrueUSD as a store of value between trades. This gives TrustToken a first mover advantage as at the moment the TrueUSD product is the most transparent on the market.

Trading of USDT has surpassed over $4billion per day since February 2018.



- TrustTokens refer to a common metric used called 'liquidity premium.' This assumes that those assets which have liquidity including active owners and bid/ask spreads will generally command a premium of 20%-30%. With over $256 trillion of illiquid assets potentially on the verge of being offered as 'fractional investment,' this creates an unparalleled opportunity for growth.

Threats

- Scaling has been an issue for most stablecoins, hence the markets continued use of tether. While volume is already exceeding $1m per day for TrustTokens stable coin (TUSD), it will need to be able to handle significantly more to become the coin of choice for traders and investors alike.

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Conclusion

We are very attracted to TrustToken and the entire ecosystem they are building. With a potential $256 trillion of assets that can be tokenized, the 'Liquidity Premium' that TrustToken briefly highlights will be a major driver of growth and adoption for such fractional ownership.

For the reasons listed below, Picolo Research maintains a buy rating:

- In comparison to others in the ecosystem, TrustToken is an established company with some segments of its roadmap already operational (TUSD)
- The market opportunity for creating fractional ownership of real-world assets on this scale is significant
- The core team comes from a highly technical background. We believe they have considerable bandwidth to execute on their roadmap
- The recent launch of TUSD on Bittrex is a reassuring sign that the company is focusing not only on development but also puts high importance on market engagement and penetration

We acknowledge that there are still currently gaps in the information that is to be communicated in the official whitepaper.

We are advised by the team that clarification on some of the key points will be publicly distributed in the short term along with further details regarding the public sale.

In light of the preceding, we believe that TrustToken (TRU) is a **long-term buy** for those seeking exposure to an innovative protocol that could one day be used at scale.

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