



# **AEToken**

WHITEPAPER

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# AFFILIATE ECONOMY TOKEN

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<https://aetoken.io>

June 19, 2018

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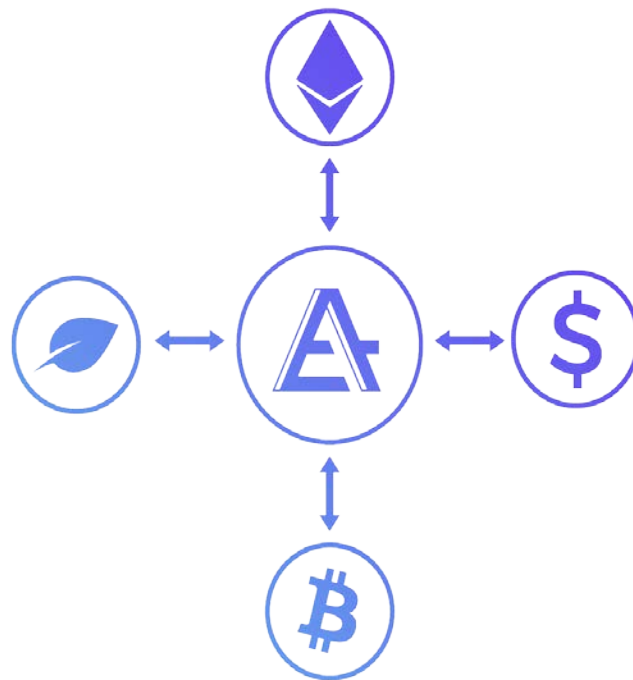
## ABSTRACT

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Affiliate marketing is broken. Far too many deals are done without a written contract. Diverse geography makes even written contracts mostly unenforceable. Industry wide, payouts are difficult to track and manage, while withdrawing or spending those funds can be even more challenging.

Our solution is a decentralized blockchain designed to create trust through recourse and reputation, while creating a payment method that publishers and affiliate marketers can use solely throughout the AEToken infrastructure. The network will utilize Bulletproofs<sup>1</sup> to support confidentiality of business terms for affiliate payouts. Third party mediation tools will be utilized to create a more trusted business environment for both parties and to ease adoption of contracting and recourse.

The Affiliate Economy Token (AEC Token) will be a side chain to a widely adopted and scalable blockchain like Bitcoin, Ethereum, Chia or Stellar.



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<sup>1</sup> Or similar technologies like ZKSnarks. <https://crypto.stanford.edu/bulletproofs/>

## 1. VALUE PROPOSITION

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For publishers and ecommerce websites: Enable trust via contract justiciability and reputation in affiliate marketing partners, increase the volume of trustworthy partners, significantly simplify accounting and affiliate fee payout, and increase the volume of quality incoming traffic.

For affiliates: Enable trust via contract justiciability with website partners. Decrease disputes and create a credible dispute process. Enable reputation for all players including sub-affiliates. Simplify and speed up the receiving of payments, the allocation of additional payments, and ultimately increase the liquidity of funds for affiliates.

## 2. INTRODUCTION

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Affiliate marketing accounted for 16% of US e-commerce orders in 2015.<sup>2</sup> In the US alone, Forrester reports that affiliate marketing accounts for 7.5% of total digital spend among retailers and publishers. Digital affiliate spending will total \$5.3 billion in 2017 and account for roughly 7% of total digital ad spend in the US. Total US affiliate spending is expected to be \$6.82 billion by 2020<sup>3</sup>. Total affiliate marketing spending in the UK was £ 1.39 billion in 2016 which was a 12% year over year increase.<sup>4</sup> We believe it is safe to assume the total global market is significantly larger.

### WIDESPREAD INDUSTRY PROBLEMS

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Due to the digital nature, the fast pace, and the highly multinational nature of the market, written contracts are rarely used in affiliate dealings. Whether it is a deal between retailers/publishers, affiliate networks, and/or affiliates and sub-affiliates, the business terms of the deal are often discussed online or on the phone. History is rife with tales of “the deal” being renegotiated after the fact by both sides. Content publishers and ecommerce sites have in the past unilaterally decided to cut commissions or require higher minimum traffic numbers. Affiliates have sometimes discovered their traffic over performed and taken to demanding higher commissions or threatening publishers with a precipitous drop in traffic if their demands aren't

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<sup>2</sup> <http://www.businessinsider.com/the-affiliate-marketing-report-how-mainstream-publishers-are-turning-performance-based-marketing-into-a-fine-art-2015-11>

<sup>3</sup> <https://www.emarketer.com/Article/Affiliate-Marketing-Highly-Measurable-Scales-Easily/1014737>

<sup>4</sup> <https://www.awin.com/ie/market-insights/articles/affiliate-marketing-growth-accelerates-as-advertisers-plough-gbp1-6bn-into-performance-channels>

met. Affiliates can also send low quality traffic leaving a publisher stuck with unhappy customers and chargebacks. Worse yet, affiliates have even been known to set up their own CPA fraud, especially in high per action agreements.

Many affiliate marketing companies are incorporated in low or zero tax jurisdictions around the world. That makes a written contract even more complicated as rarely are there shared legal regimes. Much worse, is the inability to adjudicate or enforce a contract between a company in Curaçao for example and a company in Malta. This could potentially lead to significant losses borne by either party after the deal is executed.

Further, these sorts of frauds or unilateral “renegotiation” leave only word of mouth and direct experience to drive reputations. That means its *caveat emptor* for the next affiliate, retailer, or publisher. It is only recently with the advent of digital signature web services that an online contract could be completed in real-time, the timeframe common to deal making in this industry. Any slowdown in the pace of business can negatively affect growth for either side.

Payout and use of funds is also complicated and difficult. Websites often partner with large affiliates or a large single point of interface affiliate networks (Super affiliates) to avoid calculating a very large number of smaller payments to all downstream affiliates. That’s because overhead costs are compounded when publisher or super affiliate are paying out an increasing count of “ever decreasing in value” payments. This has made it essential for websites to collectively bargain and not have the option of a wider, more direct relationship with a broader set of affiliates. Further, due to these costs and infrastructure inefficiencies, smaller payments are often held back until they meet minimum thresholds; which significantly delays cash flow to smaller affiliates.

Large affiliates and affiliate networks take on the burden of calculating and paying out numerous and ever decreasing transaction amounts. Payment fees generally eat into both the affiliate’s cost of paying and the sub affiliates cost of receiving funds.

An outmoded regulatory environment means that the PSPs<sup>5</sup> inflict a variety of difficult restrictions above their high costs. KYC/AML requirements do not mesh well with unwritten contracts that pervade the industry. While sub affiliates are highly geographically spread, most of the PSPs that can facilitate these smaller payments globally were originally designed as consumer “once in a while” payment services or at most targeted at small online businesses. They are also prohibitively expensive when compared to other funding alternatives and eat significantly into affiliate profits. Geographic diversity also means currency diversity and these PSPs have very high foreign exchange charges on top of the already high fees. Their consumer roots lead to significant withdrawal restrictions and a very high risk of frozen accounts and frozen funds. A landlord doesn’t care that “PayPal ate my money.” and it’s difficult to find an auto dealer that will accept cash, but that the payment would need to be spread out over 28 payments and the next 14 days. As this is a fast-paced industry, even inter-industry payments

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<sup>5</sup> Payment service providers like Paypal and Skrill.

suffer from long transfer times and, even though they may appear so, are rarely instantaneous or even same day. This is all apart from the fact that various governments often target the payments infrastructure, to achieve political goals. Perfectly legal online gambling in the U.K. is a serious crime in the U.S.A. As Wikileaks has shown, when faced with a government desire to censor speech or activity, cryptocurrency is the only place to turn.<sup>6</sup>

Finally, tax efficiency is important as are confidentiality of the details of deal terms between websites and affiliates /sub-affiliates. Various high tax jurisdictions are attempting to become as creative as possible to find and capture fund flows that they think they can tax. Privacy protections of the details of the size of a transaction, helps keep jurisdictional harmony and allows websites and affiliates to pay taxes and otherwise comply with the regulatory environment of their chosen jurisdictions. Those affiliates with larger traffic, better traffic, or better reputations can still command the best rates, while smaller affiliates cannot use that rate information to bargain for higher market rates than they would otherwise obtain.

### 3. THE AFFILIATE ECONOMY ON A BLOCKCHAIN

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Today content publishers and ecommerce companies recruit affiliates that have the ability to drive significant traffic and actions, with promises of rewards and participation in the future economic value of the leads generated by that traffic. Affiliates are skeptical because, as previously stated, history is rife with publishers changing the “deal” after the customers have been acquired or the goods have been sold. Often the contract in place is merely a click-wrap<sup>7</sup> agreement that the affiliate signed on to – something which is totally fungible and changeable by the publisher after the fact. These agreements are often reached over the phone or across a chat platform and so while conflicts are nearly inevitable, recourse is elusive. Many of the agreements are between one offshore corporation in the Caribbean for example, with another offshore entity in Asia. The realistic opportunity to litigate and then enforce a judgement in this extra territorial environment is virtually impossible even for large seven-figure plus contracts.

By providing an industry specific blockchain which supports robust mediation capabilities and easy smart contracting focused on the final payment terms, affiliates and publishers can have a trusted environment to strike a business deal using the tools and communications methods they use today while then generating on chain smart contracts that enforce the final payment terms and the option to have a neutral third party arbitrate material disputes.

Trust is a key enabler of economic activity and any economy where trust has been enhanced has seen significant economic growth as a result. In the affiliate economy, moving to a more trusted environment where transparency and disputes are a matter of public blockchain

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<sup>6</sup> <https://www.cnbc.com/2017/10/16/wikileaks-julian-assange-bitcoin-50000-percent-return-thanks-to-us-government.html>

<sup>7</sup> Boilerplate Terms of Service

record significantly increases opportunities for affiliates and publishers to truly take advantage of the customer acquisition that they can drive. Paul J. Zak & Stephen Knack have shown<sup>8</sup> that higher levels of trust at the national level significantly increases national economic growth. Follow-on studies continue to find strong impact of trust on growth where increased trust leads to significant economic growth<sup>9</sup> We believe that those macroeconomic trends apply to the microeconomics of the affiliate economy as well<sup>10</sup>.

The token used to enforce business terms between publishers, affiliates and their network of sub affiliates, will address the day to day problems imposed by ill-fitting regulations that the current international PSPs labour under. Having one's PayPal or Skrill account locked simply because one had an unexpected business success has become the stuff of internet memes. Getting compensated in the token used throughout the ecosystem and being able to leverage the global cryptocurrency markets and exchanges to convert one's token earnings into whatever financial instrument one needs be that fiat or cryptocurrency, solves one of the largest problems of being an affiliate.

**The top two problems for all affiliates are:**

- 1) The lack of enforceable contracts and
- 2) The difficulty in accessing profits generated for subsequent investing or paying bills.

Enabling a smart contract enforced mediation infrastructure will finally bring the strengths of mediation to the affiliate economy. The threat of mediation alone will in many cases be enough to keep both sides from straying too far from the core business terms that were originally negotiated up front. Both sides can feel more secure in takings risks with unknown partners, secure in the knowledge that there will be legitimate justiciability if either side refuses to live up to their end of the bargain.

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## SOLUTIONS

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AEToken will develop a sidechain to one of the major blockchains or a fork of another blockchain to support mediation and smart contract driven payment with the aim of generating a historical record of reputation in the system and to help enforce affiliate marketing offline contracts. The company plans to develop both open source blockchain management software

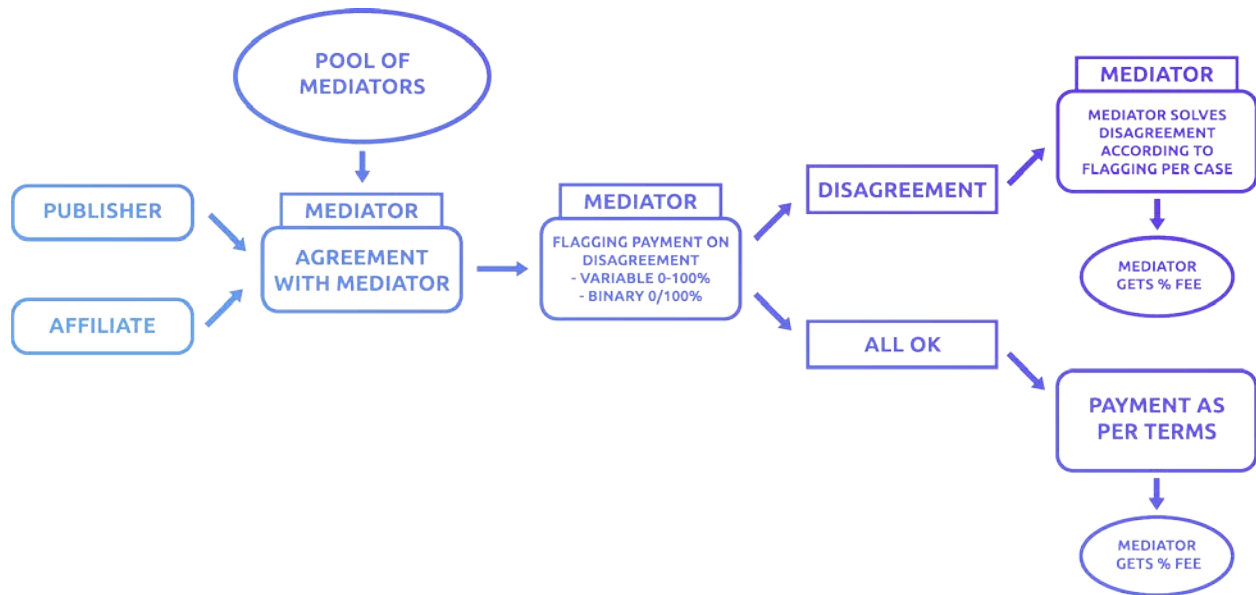
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<sup>8</sup> <https://onlinelibrary.wiley.com/doi/abs/10.1111/1468-0297.00609>

<sup>9</sup> <https://www.annualreviews.org/doi/abs/10.1146/annurev-economics-081412-102108>

<sup>10</sup> <https://www.annualreviews.org/doi/abs/10.1146/annurev-economics-081412-102108>

as well as end user client software for the major desktop and mobile platforms<sup>11</sup>. This will make the process of creating a smart contract-based mediation agreement easy and enable additional (optional) fast authentication mechanisms like OpenTimestamps<sup>12</sup>, thus allowing parties the ability to share a signed and time stamped copy of business terms as a document or screenshot. These extra steps will significantly reduce the burden of presenting evidence in a case where a dispute arises.



The company will also recruit an initial group of mediators and continue to publish a list of industry aware mediators and their per smart contract rate as well as their dispute rate in a format that simplifies interactive queries using the AEToken desktop clients.<sup>13</sup> This mediation tool will be optional to both parties. If there is an existing trusted business relationship between the publisher and affiliate, it would negate the need to include a mediator. The company will provide an interface for mediators to keep track of pending smart contracts they are involved in and pending mediations as well as their AET token balances.

The company believes that competition between mediation agent mediators will drive the per contract fees down as the majority of smart contracts will complete without dispute. Part of this is driven by the high cost for a mediation to take place in the first place. The company plans to

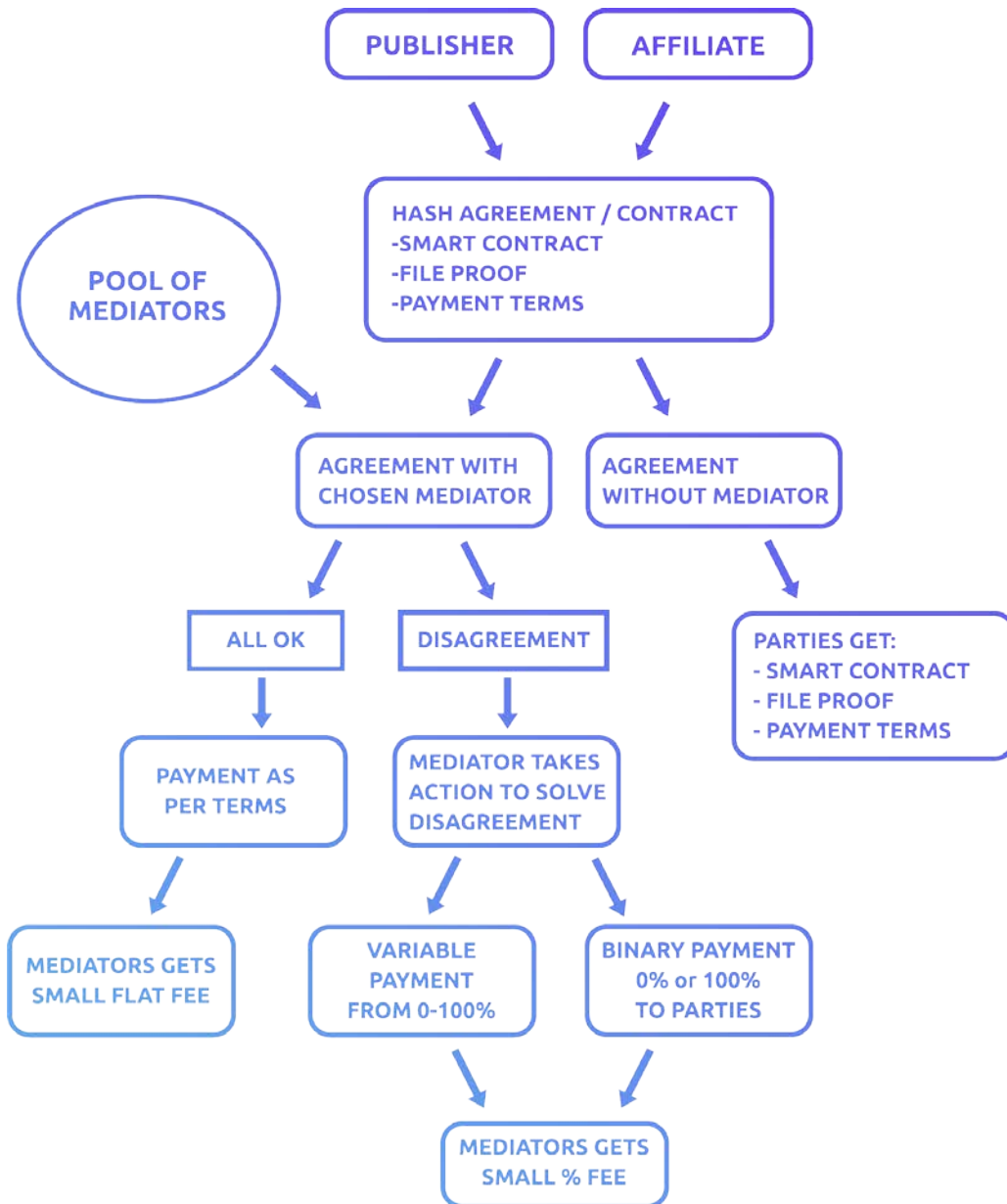
<sup>11</sup> Windows, Mac, iOS, Android e.g.

<sup>12</sup> <https://opentimestamps.org/>

<sup>13</sup> Further references to client software should be assumed to encompass Windows and Mac desktop software as well as Android and iPhone apps.



set a group of pre-defined arbitration cost models for easy comparison shopping of rates and fees. Our expectation is that successful transaction mediation fees will be below 0.5% but an active mediation dispute will warrant higher costs for each side. Of course, the market will make the final call on where these fees will settle. Potential mediation fees have the added bonus of discouraging disputes over small amounts and encouraging both sides to work to mutually settle their dispute without resorting to mediation.



A normal smart contract transaction on the AEToken chain will be the sending of cryptographically blinded number of AEC to an address at a fixed time in the future with a delegation of power to mutate the transaction to a chosen mediation mediator and his public

key. Insofar that this function may be licensable, the company may also initially utilise escrow agents. A mediator is not always required, as especially smaller valued agreements may not be valuable enough to require mediation. The smart contract will optionally contain an all or nothing mediation flag and a small transaction fee to the mediator in the case of a successful transaction and a record of the then agreed mediation fee. Should both sides perform the business contract satisfactorily or be able to independently work through any disputes, the transaction will unlock at the specified time and transfer the success tokens to the mediation mediator and the balance of the tokens to the token recipient. Both sides can mutually choose to modify the smart contract as to time or value but must bring forward the mediator success fee (if there is one) for the subsequent transaction to be accepted as overriding the existing smart contract.

Should a dispute not be settled, either side can submit a mediation challenge referencing the existing smart contract up to the time the contract expires. This will prompt the mediator to intervene and modify the existing transaction by delaying the transaction completion date to enable time to complete a mediation. Evidence will be submitted electronically to the mediator in a generalized format supported by the AEToken desktop client and leveraging time stamped information, if any, captured at the time of the smart contract initiation with the desktop client. This data will be made available to the mediator via the mediator UI. The mediator will then mediate the dispute using the presented evidence. If the all or nothing flag was set in the initial smart contract, then the mediator can only choose which party will receive 100% of the funds after the mediator pays himself the mediation fee as set out in the original smart contract. If the all or nothing flag is not set, then the mediator will have the ability to reward any portion of the value of the total smart contract, after deducting the mediation fee, to each party at whatever percentage the mediator finds is fair.

Using a transparent blockchain to track the existence of previous agreements and whether those agreements required mediation while protecting company confidential information will allow provable reputation and trust to be built for both publishers and affiliates. Transacting on the AEToken will lower transaction costs associated with wire transfers or credit card funding and remove the real risk of having funds locked up at a PSP. Having nearly infinite divisibility will make it possible to easily compensate an extremely complex web of affiliates and sub affiliates in a precise, timely, and inexpensive manner for even extremely small transaction amounts with trust that the payment itself meets the terms that were agreed upon.

The company believes that the AEToken blockchain will be complimentary to additional new cryptographically related technologies entering the web commerce market. Companies like [Apomaya](#), which are creating software tools and merkle trees to lower fraud and malware in ad serving will have unique additional data about the real time activities in CPA agreements. The company plans to become the de-facto way to build better trust in affiliate marketing in the same way that Basic Attention Token<sup>14</sup> is attempting to bring additional trust and liquidity to the

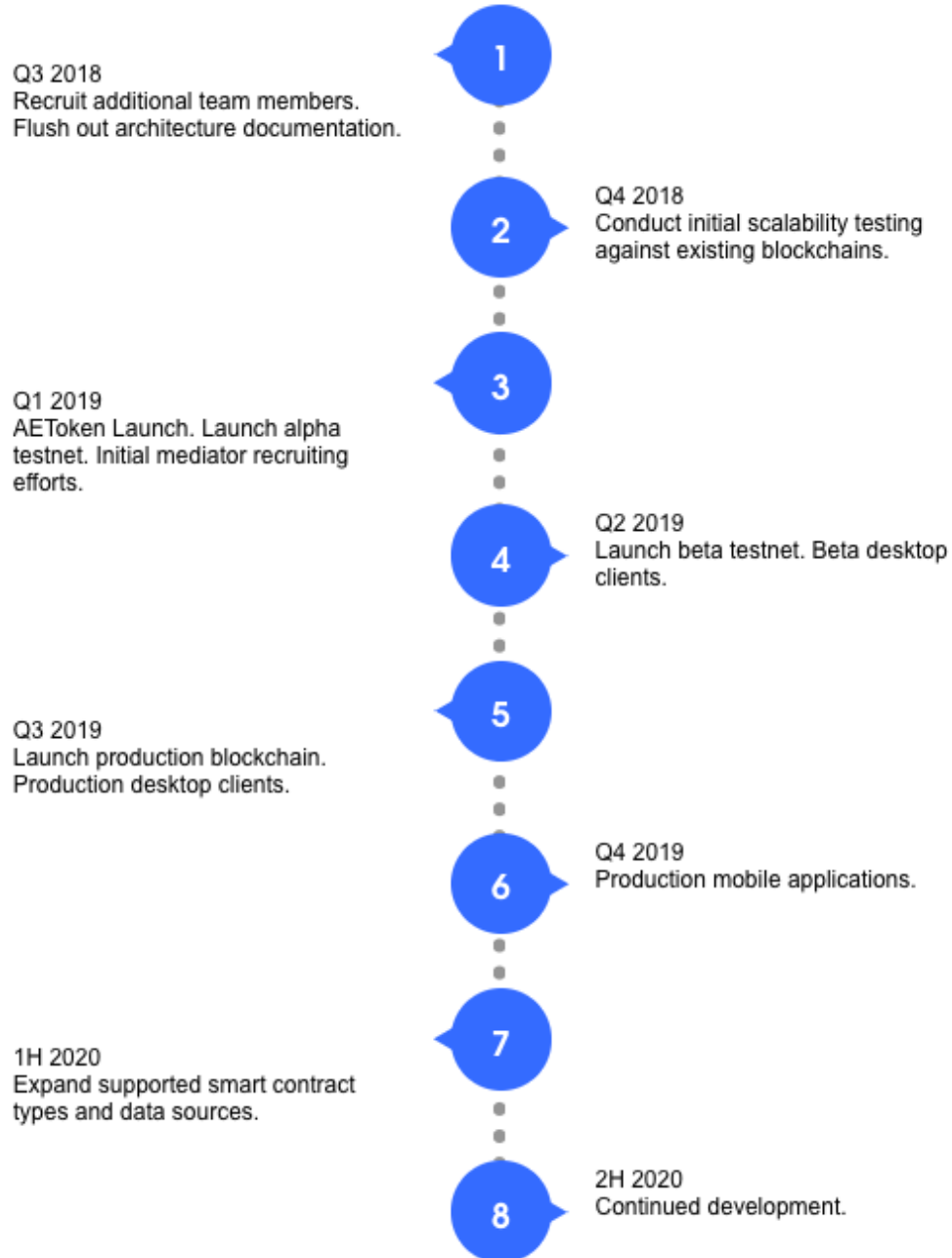
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<sup>14</sup> <https://basicattentiontoken.org/>

internet advertising market and both will likely be supported at many publishers and ecommerce sites.

### ROADMAP

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## 4. COMPETITIVE LANDSCAPE

The company faces various competitors. The primary competition and barrier to adoption is complacency as it exists in the current affiliate economy. Additionally, there continue to be attempts to bring blockchain's benefits to the affiliate economy by projects such as Affiliatecoin.io and RefToken. Traditional super affiliate networks like Adpump have also attempted to address some of the shortcomings that AEToken addresses. Further, with the acute interest in cryptocurrency, blockchains, and ICO's, there are new start up ICO fundraising affiliates.

The company believes it is well positioned to succeed in this environment. AEToken is focused on being a lightweight addition to the way that publishers and affiliates do business today in an attempt to ease adoption and proliferation. Other blockchain attempts seem to discount the difficulty of real world "Oracles" or the tools needed for an automatic blockchain to be able to enforce a smart contract. By limiting the scope of effort to the fundamental payment details and introducing an optional third-party mediator, AEToken creates concrete ways to build trust and to successfully complete smart contracts on a blockchain. Super affiliate networks do address some pain points, but they suffer further from many of the same issues that the AEToken is designed to simplify and address (particularly liquidity). Blockchain specific ICO networks or on chain affiliate programs targeted at only Dapps<sup>15</sup> suffer from small and nascent markets. Also, AEToken will be able to extend our smart contract functionality to support Dapps and Lapps<sup>16</sup> as those ecosystems become valuable.

Finally, AEToken has a team that knows the problems of affiliate marketing personally. This direct expertise and a deep desire to increase the efficiency and trust in affiliate marketing is a significant competitive advantage.

COMPETITIVE LANDSCAPE	AEToken	Affiliate Coin	REF Token	AFF Chain
Solves the problem of lack of written contracts	●			
Mediator to solve disagreement between parties	●			
Easy and economical payments to sub-affiliates	●	●		
Steps to prevent CPA fraud and click spam	●	●		
Eliminates late and disputed payments	●	●	●	

<sup>15</sup> Distributed Apps. Usually apps built on Ethereum or similar blockchains - <https://blockgeeks.com/guides/dapps/>

<sup>16</sup> Lightning Network Apps usually built on Bitcoin, Litecoin, or Chia - <https://lightning.network/>

## 5. KEY TEAM MEMBERS

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**Vadim Fedotov - CEO**

Vadim has spent the past 11 years in the online digital marketing and retail sectors. Starting off his career with Highlight Media Group which is one of the world's leading SEO based affiliate conglomerates, he led a team of SEO specialist to spearhead the company's casino and poker directed websites to the top of the search engine rankings. From there he went on to heading the business operational side of the Betsafe Sportsbook product for the publicly traded Betsson Group AB, achieving all-time highs in active players and revenue by introducing innovative, intricate marketing campaigns which not only driven acquisition but resulted in excellent retention/reactivation numbers for the active user base. Successfully launched Eypobet casino and Sportsbook from the ground up, as a founding consultant Vadim knows every single possible outcome of running a publishing operation, down to the licensing and regulation factors.

Serving as a director of North Factor Lounge Ltd. a lead generation group, he came back to his affiliate roots and founded the Celebrity Affiliates network, an innovative way to drive traffic through the means of influencers and celebrities through a very ingenious marketing funnel which is unique per each celebrity and publisher. To extend his customer reach and services portfolio, VS Entertainment was formed as a parent company to Celebrity Affiliates and Digital Commandos Marketing agency, which services clients from any niche of the online B2B world with solutions such as a mass SMS delivery platform, front and back-end development, content production and translation, web designs and more. Having cracked the code for high quality volume traffic, Vadim applied his know how to lastly create Gambling.com, an SEO website driving high value traffic and lead generation engine which has proven gold since its launch in September of 2017. Driving high volumes of quality traffic in regions such as UK, Australia, Germany, Scandinavia, Canada, South Africa, Japan for various products while at the same time supplying those publishers with B2B services he created a full-service supply loop for his clients which start with the acquisition of the customer, to maximizing their lifetime value along with bringing those customers back for more. Having worked for industry giants and not only founding but driving daily the operations of his thriving businesses, Vadim has a personal insight into the problems from both the perspective of the retailer/publisher as well as the affiliate, which make him an integral part of AEToken's success.



### **Jason Fernandes- COO**

An award-winning crypto-entrepreneur, technology columnist, published author and TEDx speaker. A professional career beginning at the age of 14 and spanning two decades, Jason founded internet portal ZeoCities.com and non-profit LDKids. He was also a founding team member at RecordTV.com where he holds a patent for the world's first internet-based DVR; and Perceptivel, A company that developed patented ECRM software for Fortune 500 Clients. A Technology Columnist with Indonesia's GlobeAsia Magazine for over 5 years, his writings have appeared in The Jakarta Globe, CHIP, DNA India, The Leela, The Goan and MansWorld Magazine, among others.

A thought leader in the cryptocurrency space, Jason has advised the Nation of Barbados, the Government of Goa, and multiple statewide political parties on IT and Education policy. He was the first speaker at TEDx Panaji in 2017 and was the keynote speaker at the Techiescoops Crypto-Conference held at Goa Engineering College this February. He has also been a featured speaker at events at hosted by the Computer Society of India, Goa Chamber of Commerce/Industry, Goa University, BITs Pilani University, PayU Upstart and 91Springboard. His awards include first place at the Seaside Startup Summit 2018, Startup@Singapore Award, the First National Technopreneurship competition Award(Singapore), Childnet International Award (UK) and has won the "Best Business Plan" award from Sybase at the Global Entrepreneurs Challenge at Stanford University, California. Jason has also been featured in international outlets like the BBC, LA Times, Associated Press, MTV, Channel NewsAsia and national outlets like India Today, ZeeTV and the Times of India.



### **Gene Hoffman - Chairman and Interim CTO**

The youngest NASDAQ CEO in history, Gene is a vital part of the AEToken team, controlling all development and technical aspects of the project. He holds a patent for his work with HTTP stream interception technology and co-inventing internet ad blocking. From January 1998 to June 2002, Gene was co-founder, President, Chief Executive Officer, and a Director of eMusic. A highly visible advocate for the distribution of music on the Internet, he was featured on the cover of Forbes Magazine as a member of the July 1999 E-Gang. Hoffman led the acquisition of eMusic by Vivendi-Universal in June 2001. Prior to eMusic, Hoffman was Director of Business Development and Director of Interactive Marketing of Pretty Good Privacy. Hoffman joined Pretty Good Privacy after it acquired PrivNet, Inc., an Internet privacy software company, he co-founded, and was Director, and Executive Vice President.

Subsequent to eMusic, he served as co-founder, Chairman and Chief Executive Officer at Vindicia. Hoffman led Vindicia from three co-founders in 2003 to a team of 120 people with offices in London, Singapore, Rio de Janeiro, and Silicon Valley. At Vindicia, Gene co-invented tools that retain 20%-40% of subscribers that would otherwise be lost to passive subscriber churn. Vindicia provides subscription billing services to DirecTV, the BBC, Telstra, the NBA, OnStar, LifeLock, Motley Fool, the NFL, Dollar Shave Club, and Zillow, among others. In September 2016, he orchestrated the sale of Vindicia to Amdocs. Given the aforementioned experience and track record, nobody is better suited to spearhead the technical aspects of this project.

## 6. TOKEN LAUNCH

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The initial token will be an ERC20 token on Ethereum called AEC.

AEC token will be redeemed 1:1 for the AET token on the publicly launched blockchain

We plan to raise a maximum of \$50 million and a minimum of \$5 million

1 ETH will equal XXXXX AET

Token contract address TBD

Token launch date and time Pre-ICO launch date of July 18, 2018

ICO launch date of October 16, 2018

Token launch time frame Both periods shall last 90 days

## TOKEN DISTRIBUTION

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120 million AEC ERC20 tokens will be created in total. 40 million of these will be allocated to existing investors and the team. 60 million tokens will be sold to purchasers in the pre-ICO round and during the ICO depending on discounting for early participation. These tokens will be freely tradeable. Any tokens that remain from this portion once the ICO is complete will be burnt

Finally, 20 million tokens will be held by the company on its balance sheet, for future fundraising and to support ongoing development and deployment of AEToken. These tokens will be subject to a one year lock up agreement.

Once the ICO is complete, the total number of outstanding AEC tokens will be a maximum of 120 million tokens. No more AEC tokens will be created once the ICO is complete. Our current plan is to implement the AET token on its own blockchain and we will have to implement a consensus mechanism that will need to create new mining or farming rewards to secure the AET protocol. However, we currently do not plan to sell or create new AET tokens upon network launch except for the 1:1 swap of AET ERC20 tokens to the AET on the new AET blockchain and then subsequent mining/farming rewards.



## 7. TOKEN ECONOMICS

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There will be three primary audiences to consume the AET token. Web retailers and publishers will be acquiring the token to pay affiliates. Affiliates will acquire AET from deals with retailer and publishers and larger affiliates will likely need to purchase additional tokens to compensate sub affiliates when doing a transaction with a web publisher that has not adopted AET yet. Third, mediators will earn a small amount of token on every deal that they've been chosen as the mediator and the contract completes without arbitration. In the case of arbitration, a mediator will receive larger amounts of AET.

The total amount of AET to be issued was targeted to support the net revenues of the entire affiliate marketing economy at a price per AET that would range from \$2 up to \$1000 per token as the adoption of AET increases and the size of the affiliate economy continues to grow. This allows an implied network valuation of \$120 billion as compared to current gross revenues of the affiliate marketing economy of at least \$7.2 billion<sup>17</sup>. Were AET to represent 100% of the current gross revenues of the affiliate economy, it would imply a price per token of \$60 less small mining/farming dilution.

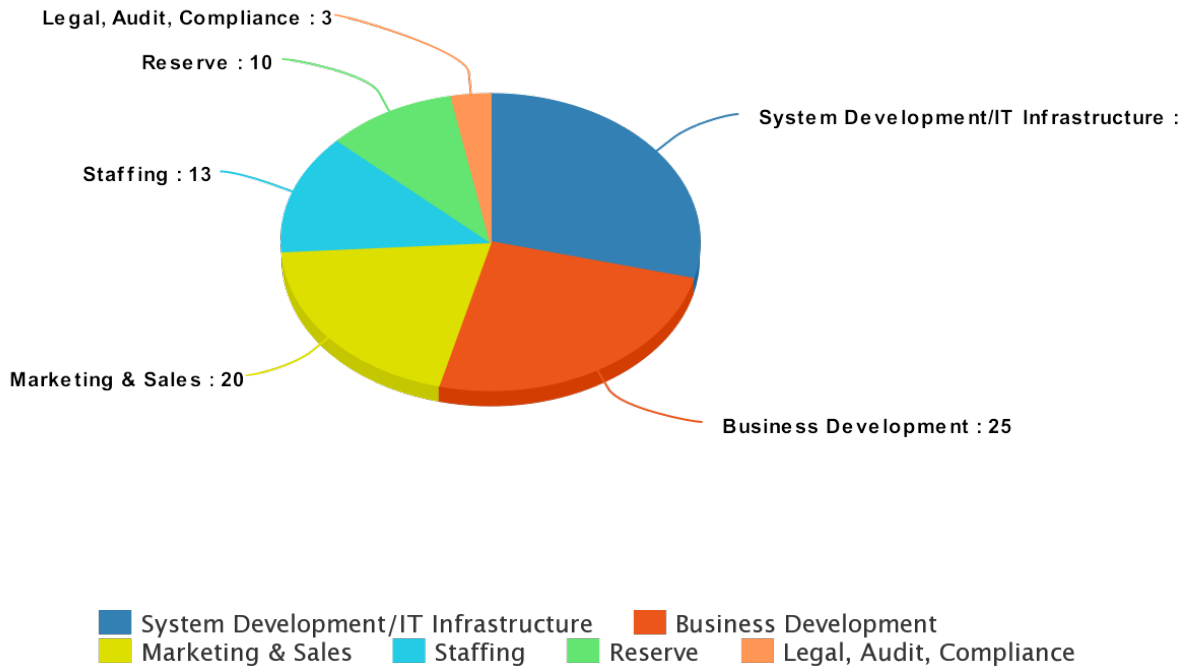
The company believes that the success of, and increased appreciation of, AET will be driven by adoption by larger affiliates. Those affiliates will find paying out sub affiliate deals to be considerably easier in AET. Further, they will help drive adoption at the retailers and publishers as these affiliates often drive significant new customer adoption for their partners. Many of our advisors and our founding team are large affiliate marketers specifically to help drive adoption of AEToken.

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<sup>17</sup> \$5.3 billion in 2017 and £1.39 billion (\$1.91 billion) in 2016 for a rough total of \$7.21 billion. Data is from footnotes 3 and 4 above.

## 8. BUDGET ALLOCATION

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## 9. RISKS AND DISCLOSURES

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The AEToken is defined as an utility token. It is therefore available to people in most countries. Citizens from the following countries are not allowed to participate in the AEToken token sale: People's Republic of China, Socialist Republic of Vietnam, United States of America, or any resident of a country where American embargoes and sanctions are in force, namely Iran, North Korea, Syria, Sudan, and Cuba.

The affiliate economy has been hesitant in the past to adopt electronic contracting practices. There is no certainty that this status quo will change and that AEToken will be widely adopted.

Developing blockchain technology is complex. There are no guarantees that the company will not have errors or security issues with its public blockchain that could lead to a loss of trust in AEToken.

The success of AEToken is largely reliant upon our founding team. If we should lose the services of Vadim Fedotov, Jason Fernandes or Gene Hoffman we could be set back significantly.

Mr. Hoffman is leading the technology architecture and recruiting initial senior development staff. Upon putting a team in place, he will cede day to day architecture to the team. He will remain on the board of directors and available on an as needed basis to guide product development. Mr. Hoffman will be compensated during his entire service to the project.

The regulatory environment for both ICO tokens and affiliate marketing is largely variable and somewhat uncertain across the globe. Regulatory shifts in major markets for either regulatory environment could have a negative effect on the company's ability to successfully deploy and build value in AEToken.

One of the competitive blockchains or networks could take a majority of the market for affiliate tokens and our adoption would be limited. The best outcomes for AEToken presuppose the network effects of large adoption by all parties including publishers and ecommerce sites, affiliates and sub affiliates.

We may need to raise additional capital to fund ongoing development and deployment of AEToken. The company has retained an allocation of tokens for this purpose but there is no guarantee that we will be able to sell those tokens in the future or that they will be sufficient to fund our ongoing operations.

## 10. AET FAQs AND DEFINITIONS

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**Affiliate** - Directory publishing is a specialized genre within the publishing industry. These publishers control mailing lists, telephone books, SEO websites, Google Adverts, Facebook and other social media marketing, tele sales amongst others with the intent to find a buying customer for the advertiser.

**Advertiser** – A retail merchant or retailer, sells merchandise to end-users or consumers (including businesses), usually in small quantities. A shopkeeper is a retail merchant

**Affiliate Marketing** - is a type of performance-based marketing in which a business rewards one or more affiliates for each visitor or customer brought by the affiliate's own marketing efforts

**Affiliate Network** - An affiliate network acts as an intermediary between publishers (affiliates) and merchant affiliate programs. It allows website publishers to more easily find and participate in affiliate programs which are suitable for their website (and thus generate income from those programs), and allows websites offering affiliate programs (typically online merchants) to reach a larger audience by promoting their affiliate programs to all of the publishers participating in the affiliate network.

**CPA** - Cost per acquisition or cost per action. This usually refers to a bounty paid to an affiliate when an end user does something like opening an account and funding it with at least a minimum amount of money.

**Dapp** - Distributed application. These are usually applications that run in a distributed manner on a blockchain like Ethereum. Cryptokitties<sup>18</sup> was one of the early popular Dapps on Ethereum

**Lapp** - Lightning network application. Applications are being built on the nascent Lightning Network that supports cheap and quick cryptocurrency exchange for Bitcoin, Litecoin, and soon Chia.

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<sup>18</sup> <https://www.cryptokitties.co/>