



Liti Capital SA - Tokenomics

Version 1

June 10, 2021

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Tokenomics Overview

To support its fundraising efforts, Liti Capital SA (Liti Capital) uses two different but symbiotic types of tokens, the LITI and wLITI tokens. This section describes the class, functions and purpose of each token category. Figure 1 below summarizes the key metrics for both the LITI and wLITI tokens.

Tokenomics	 LITI Token	 wLITI Token (wrapped LITI Token)
Description	1 LITI = 1 share in Liti Capital Equity Token	1 LITI = 5000 wLITI No KYC, freely exchangeable
Category	ETO	IDO
Purchase Venue	LitiCapital.com	DEX Platform: Uniswap
KYC/AML Compliant	Required	Not Required
Circulating Supply	601,944	3,009,720,000*
Listing Price	CHF 50 (c.\$55 USD)	CHF 1 cent (c.\$0.011 USD)
Market Cap**	CHF 30,097,200	CHF 30,097,200

*Fully diluted as of 9 June 2021. Only 1,114,050,000 are currently outstanding

**Current Value as of 9 June 2021

Figure 1. Key Metrics for LITI and wLITI Tokens

Readers can visit the Etherscan hyperlinks to find accurate and up-to-date information relative to the current circulating supply for both LITI and wLITI tokens. The circulating supply is calculated on a fully diluted basis. The market cap is calculated by multiplying the circulating supply, on a fully diluted basis, with the current price. To date, no LITI tokens have been issued to the founders or team members. As part of the incentive plan, LITI tokens will be issued to founders and team members at a later stage, based on the Company's performance. Any tokens issued through this mechanism will be locked-up, not available for sale, for a period of six months upon delivery.

LITI Tokens

Liti Capital offers an access to one of the first equity tokens (ETO) to date by issuing its shares in a digital format (i.e., LITI tokens) on the Ethereum blockchain. In other words, LITI tokens represent shares of stock in Liti Capital SA, a Swiss incorporated Company. Under Swiss law, LITI token holders benefit from the same rights and protection as traditional shareholders. As such, the holders of Liti tokens can exercise their voting rights to have a say on both the governance and strategic orientation of the Company. In addition, LITI token holders are eligible to receive

dividends from the distributed profits made by Liti Capital. Finally, in addition to the more common corporate governance rights, LITI token holders also have (i) access to Liti Capital's bounty system and (ii) the ability to participate to the class actions against crypto scams initiative, as described further in the "Real world utility" section. As per any legal system, these rights come together with certain disclosure responsibilities. Liti Capital has the legal obligation to maintain an up-to-date register of its shareholders and, therefore, LITI token holders are required to identify themselves and to pass the "Know Your Customer" or KYC process. Note that restrictions may apply for some countries as stated in our terms and conditions.

As an asset-backed token, the performance, appeal and valuation of LITI tokens depend on the attractiveness and the return on investment (ROI) made by the Company on its portfolio of assets. In Liti Capital's case, those assets are litigation and/or arbitration assets that we believe will generate private equity-like returns (i.e., each asset will generate between 3x and 10x the amount of the investment). During its private sales phase, Liti Capital was able to successfully raise more than USD \$12 million through the sale of stock to early investors. Liti Capital accomplished this in less than two months of existence. To date, the Company has used approximately \$10 million of these proceeds to purchase assets. In addition to providing the capital required to set up the management team and begin the asset acquisition process, this early fundraising stage also established the LITI token listing price for public launch at CHF 50, roughly equivalent to USD \$55 at the time of writing. The launch price of the LITI token equals the one paid by investors, who purchased their tokens in the private sales phase.

wLITI Tokens

The wrapped version of the LITI tokens or wLITI represents a right to claim a share in Liti Capital under certain conditions and, importantly, is the instrument that will be actively traded on various exchanges. There are a number of important reasons explaining why Liti Capital has chosen to support the co-existence of both the wLITI and LITI tokens. First, LITI tokens are KYC-compliant, while there are no limitations on who may acquire a wLITI. As such, LITI tokens are not ideal candidates for exchanges, simply because they strongly limit the access of the token to a wide community of traders. This imposes considerable entry barriers that would reduce the overall attractiveness of the LITI token and hamper the unlocked liquidity premiums. Therefore, wLITI tokens serve as an ideal trading instrument since they are KYC-free. In other words, there are no limitations to acquire wLITI tokens from decentralized exchange platforms (i.e., DEXes). In this sense, wLITI tokens are part of Liti Capital's Initial Decentralized Exchange Offering (IDO) as they can be purchased on the liquidity pool set on Uniswap. Second, by design, wLITI tokens induce cheaper gas fees per transaction because they have less functionalities, again making them more suitable for trading purposes.

However, the use case of wLITI extends well beyond a simple trading instrument. In fact, wLITI tokens serve as a tool to engage, incentivize and ultimately reward the vibrant community supporting the project. To this end, Liti Capital plans to (i) distribute wLITI as rewards for liquidity providers and (ii) use the wLITI tokens to enable its token holders to have direct access to class actions conducted by Liti Capital on behalf of community members who have suffered damage, fraud, robbery or loss from crypto scam projects. Please see the “Real world utility” section below for a more complete description about both initiatives.

Traders holding wLITI have a right to claim the underlying shares (i.e., LITI tokens) from Liti Capital at a fixed ratio of 1 LITI for 5000 wLITI. This right is only limited by the successful completion of the KYC process and confirmation that the person has complied with the terms and conditions. The wLITI token listing price is set at CHF 0.01 or 1 cent (~USD \$0.011) for the launch. Liti Capital’s stated goal is to bring asset-backed private equity to the entire community, and the Company is dedicated to doing everything in its power to make the token accessible to everyone. Users can also wrap and unwrap LITI tokens by using our dedicated and user-friendly web application. However, users shall be aware that the wLITI to LITI tokens swap is only possible for investors that successfully completed the KYC process, which is subject to restrictions for some countries as stated in our terms and conditions.

Token Flow and Distribution

To date, Liti Capital has only issued 601’944 tokens, and therefore has a market capitalization of 30’097’200. Liti Capital has included a limitation of 12 million LITI tokens (i.e., Max Supply) for its B-type shares in its smart contract. The economic rationale is (i) to provide enough tokens to generate the capital required to purchase assets for the business and invest in a diversified portfolio of cases as well as (ii) to ensure that our token holders will never face dilution of the interests after the Company meets its goal. The Company believes that this balance is met with 12 million Liti Tokens.

Importantly, unlike a currency, an operating Company’s market capitalization equals the fully diluted shares outstanding multiplied by the current price of the LITI token. Therefore, Liti Capital’s valuation is based on the amount and quality of assets the Company purchases as well as on the cash returns generated by those assets for its shareholders. While this will imply a lower market capitalization to the Company in the short-term, it remains the most appropriate way to determine value for an equity token. As the Company sells additional shares, and uses that money to purchase additional assets for its token holders, the value of the underlying tokens should increase. The Company is comfortable that it will be able to balance the needs to finance the acquisitions that will drive business while continuing to create some degree of scarcity in a way that will consistently increase the value of the tokens as it successfully builds a portfolio of high quality and cash flow generating assets.

In principle, Swiss law imposes that Liti Capital SA convenes a General Assembly each time it increases its capital by onboarding new investors as shareholders. This

process remains financially costly, time-consuming and requires waiting for the approval of the trade register to back the LITI tokens with an equity in the Company. This process can also take weeks and is not suited to the needs and expectations of the current marketplace. To avoid such constraints for smaller investments, Liti Capital has continued to innovate on behalf of the community by creating another entity, namely a special purpose vehicle (i.e., the Liti Capital SPV), fully owned by its founders to distribute LITI tokens to new shareholders. This will enable Liti Capital to send LITI tokens from an existing token holder, the Liti Capital SPV, to a new shareholder or token holder, without having to call for a General Assembly each time.

As such, the Liti Capital SPV is an instrument that will ensure that even smaller investors can get their LITI tokens immediately, as opposed to having to potentially wait weeks for an antiquated corporate process to unfold. These complicated corporate processes are one way that institutional investors have relied on to effectively monopolize private equity-like returns for so long, and this tool is another way that the Company plans to dismantle this apparatus to create value for its community. It is also important to note that the vast majority (i.e., 65%) of LITI tokens purchased by the Liti Capital SPV are locked in a smart contract wallet, ensuring that they can only be sent to supply new investors as they buy shares in the Company and not to be sold on the secondary market. This distribution provides both strong safeguards to the investors and gives all the flexibility the Company needs to adjust and optimize its operations in the best interest of its investors. Liti Capital plans to use the SPV instrument for exactly that purpose, and we believe it will be a powerful tool to further democratize private equity returns.

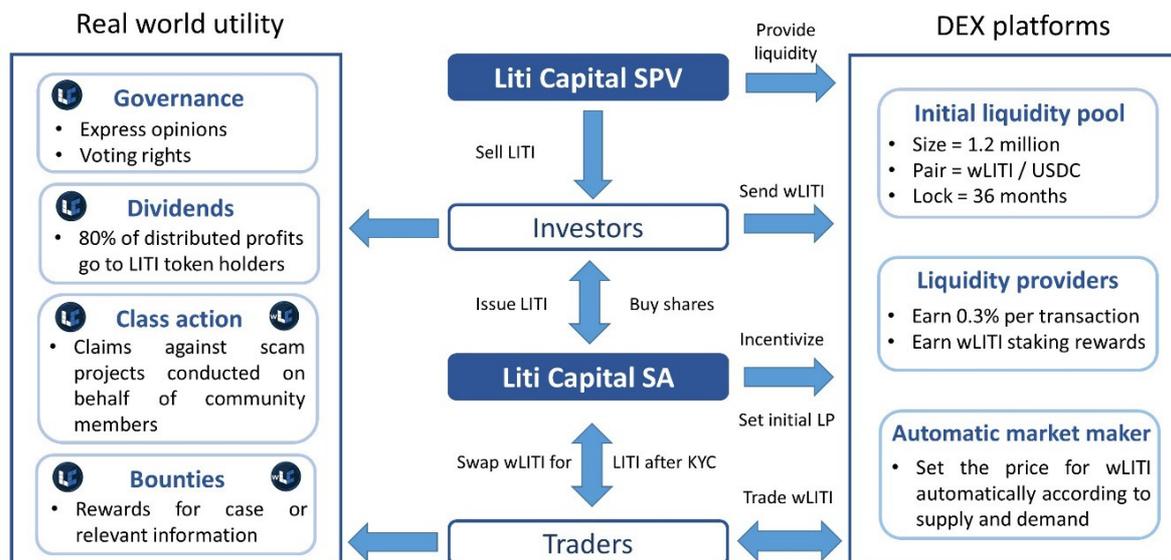


Figure 2. Overview of the Liti Capital Ecosystem

Dark blue represents entities owned by Liti Capital. DEX: Decentralized exchange platform, SPV: Special purpose vehicle.

Liti Capital has only one way to fundraise: the Company can raise capital only when investors acquire LITI tokens. There are no special deals or unique asset classes that are only for certain investors. The received LITI tokens are stored directly in the investor’s wallet and never on the server of Liti Capital. Therefore, Liti Capital has neither access to, nor control over the investor’s private keys. From the web application dashboard, investors are able to wrap and unwrap their tokens at will, and they can easily send the wLITI to a smart contract wallet address to sell them on the secondary market. Alternatively, traders coming from DEX platforms with wLITI can unwrap and convert them to LITI tokens.

Within the hard cap of 12 million LITI tokens, 10 million tokens will be made available to the public, while the Company will use up to two million tokens (16%) to pay for salaries, early expenses in the business as well as to provide an incentive plan for its team and community members. To date, no LITI tokens have been granted to the founders or team members. Importantly, all of the LITI tokens issued pursuant to the Company’s incentive plan will only be issued to the founders and team members based on the performance of the Company and will be locked-up for a minimal duration of six months upon delivery. Figure 2 provides an overview of the inflow and outflow of tokens in the Liti Capital ecosystem.

Secondary Market – DEX Liquidity Pool

The Liti Capital SPV, along with its lead investors, are committed to this project over the long- term. As such, Liti Capital has created together with its SPV and lead investors a unique liquidity pool with a minimal value of 1.2 million divided equally among ETH and wLITI pair (i.e., USD 600’000 per token type) on the Uniswap V2 DEX platform. Since the Liti Capital SPV along with early investors co-create and therefore are the owners of the liquidity pool at the time of the IDO, Liti Capital is also guarantying that the funds contributed to the pool will be locked-up for a period of at least 36 months after launch (Figure 3).

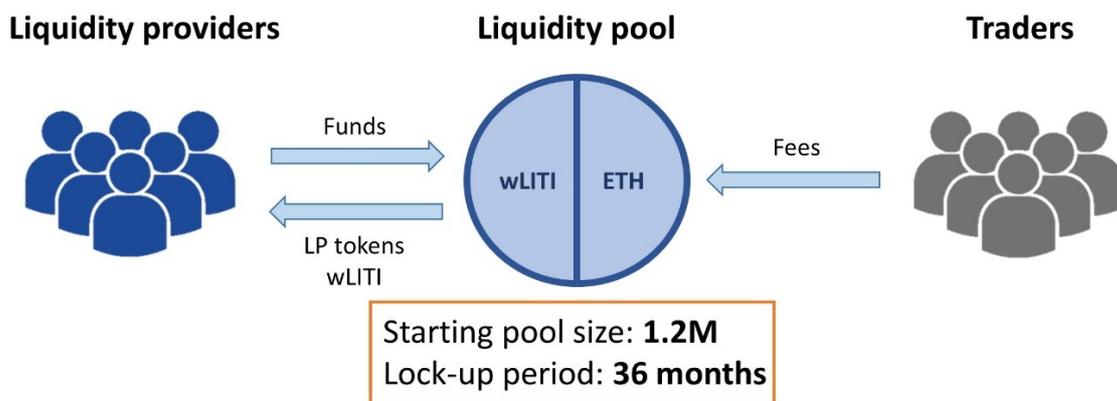


Figure 3. The wLITI / ETH liquidity pool on Uniswap V2

During this period, the liquidity stored can only leave the smart contract wallet address for an update of the pool on Uniswap V3. Liti Capital commits to

communicate to community members about its plan to move to V3 at least three months in advance. We chose the ETH as a pair for the wLITI because it is the most widely used and popular currency on Uniswap V2, as reflected both by the number of liquidity pools and the daily trading volume. We decided to launch ourIDO by listing wLITI tokens on Uniswap V2, because it has become one of, if not, the largest DEX platform to date, driving over 278 billion of all-time volume. As such, the platform uses a proven technology and benefits from a high long-standing reputation among the crypto community. In addition, Uniswap V2 enables the integration of different trading tools, which should in turn favor traffic on the wLITI / ETH liquidity pool.

While Liti Capital will setup the wLITI / ETH pool, the Company intends to incentivize community members to join as liquidity providers in order to increase the size, performance and stability of the pool. On Uniswap V2, liquidity providers have to supply an equal value of tokens for the wLITI / ETH pair. The funds are used by an automatic market maker (i.e., AMM) algorithm to facilitate trades, without using order books and market makers. Liti Capital plans to incentivize liquidity providers on DEX platforms such as Uniswap with two types of financial rewards (see Figure 2 and Figure 3 above). First, the liquidity providers collect the transaction fees set at 0.3% by receiving LP tokens. The reward is divided in proportion between the different contributors of the pool. When liquidity providers want to get the underlying liquidity back, along with any accrued fees, they must burn their LP tokens. In addition, Liti Capital plans to reward liquidity providers with wLITI tokens based on how long and in what quantum they contribute to the pool. Note that the latter will not be implemented for the launch on Uniswap V2, but is featured as part of the Company's near-term technological development rollout as described in our roadmap.

Price Adjustment on DEX

Markets have a tendency to self-regulate and DEXes are no exception. On Uniswap V2, an automatic market maker (i.e., AMM) determines price adjustments according to supply and demand for the wLITI tokens. This approach has proven useful to avoid slippage and latency in price discovery on the market. The AMM algorithm uses bounding curves to emulate offer- and-demand dynamics in a manner that substitutes the need for the traditional order book and market makers.

Providing liquidity on Uniswap V2 effectively covers a potential range of prices extending from 0 to infinite. Price variations are subject to a number of key parameters. Among the latter, the size of the pool is an important factor to limit drastic variations in the price action of the wLITI. In this sense, the larger the pool the more stable the price would be if a trader buys or sells a large amount of tokens. These parameters are part of the reason that the Company is pleased with both the initial size of the pool, and the commitment to maintain that pool for a long period of time. The possible migration to Uniswap V3 will provide more refined mechanisms to regulate the price of wLITI, notably by circumscribing the liquidity to a specific range around the current price. This should also serve to prevent the price from moving drastically in one direction to the other and favor a steady growth of the wLITI price

action.

Real World Utility

Governance

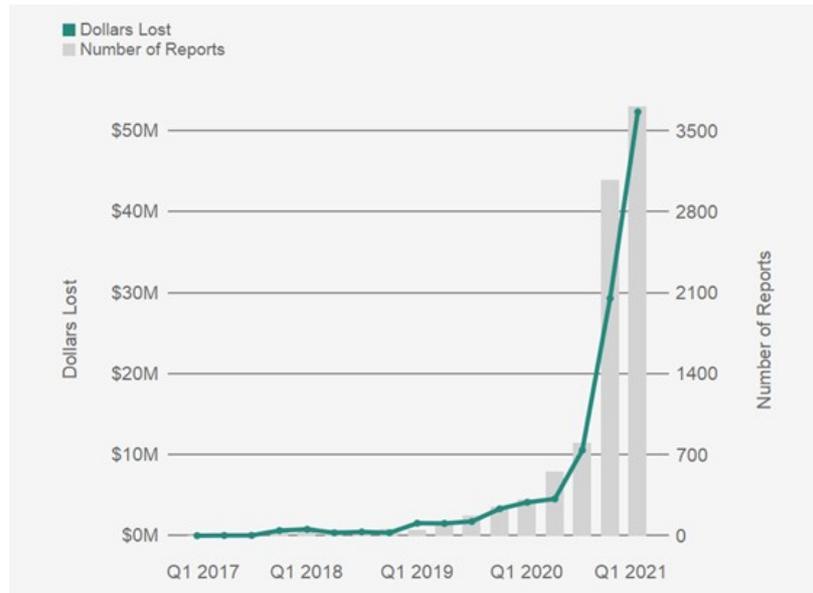
Since LITI tokens are equity-backed, they grant access to voting rights. This means that each LITI token holder has a say on the Company's governance and strategic orientation. While the shareholder agreement and the status of the Company enable the board of directors to have a veto right on some matters, LITI token holders will be able to exercise their rights to express opinions and to influence the decision-making process within Liti Capital. Furthermore, LITI token holders benefit from the same level of protection as traditional shareholders under Swiss law and as such have access to legal mechanisms to conduct their claims. The company's activities are compliant with the Swiss Financial Market Regulator.

Dividend Payment

An asset-backed token also means that LITI token holders will be able to earn passive income through yearly dividend payments. As the Company grows, the frequency of dividend distribution may as well increase to several times per year depending on the number and amount of awards, and the timing of the Company's cash flow. The Company's goal is to provide both cash returns and price appreciation to our token holders, and we are focused on using the capital we raise to purchase attractive assets that will support that mandate. However, we also committed to using the cash that our assets generate to return value to our LITI token holders and, as such, our intention today is to dividend out 80% of all profits generated to the Company's shareholders.

Commitment to Fight Crypto Fraud Through Class Action

Liti Capital also aims to leverage its unique expertise in litigation finance and asset recovery to preserve and defend the interests of its own community members that have suffered damage or loss from fraudulent projects in the crypto sphere. A recent report from [FTC](#) reveals a sharp increase in the cryptocurrency investment scams from October 2020 through March 2021 (Figure 4). The idea that scammers can freely operate in the crypto sphere without facing the consequences of their actions must end in order to bring trust and change the perception blockchain and crypto projects have in our society. To this end, Liti Capital commits to allocate between 5% and 10% of its yearly investment budget to finance cases that have affected its community members.



investment scams

To the Company’s knowledge, this program is the first of its kind. We are committed to working with our community, and to support our token holders (out of the Company’s funds) in ensuring that the skill set and asset base that we are creating is used for the benefit of everyone. The exact percentage allocated will notably depend on the number of fraudulent projects reported to Liti Capital as well as on the amount of money fundraised by the Company. The case selection process involves the following steps and criteria.

Case Selection Process

- A community member (i.e., LITI or wLITI token holder) reports a case about a scamcrypto project to Liti Capital.
- Liti Capital then spreads the word among its community members to determine whether other people have been affected by the potential fraud. At this stage, community members may be asked to provide justifications regarding the nature of the fraud.
- If the fraud affects a material portion of its community, Liti Capital will initiate a preliminary investigation to assess the potential outcome of the case, which ultimately determines whether the case is selected for further proceedings.
- Any case that meets the Company’s underwriting requirements will result in Liti Capital inviting the members of its community that have been harmed by the fraud to validate the selection procedure by locking at least 1 LITI token or 5000 wLITI tokens in a dedicated pool implemented in a smart contract wallet. Note that LITI token holders will still be able to use their voting rights and to access dividend payments with the locked tokens. Furthermore, the company will determine the duration of the lock-up period for both LITI and wLITI and will announce it directly to its community members.
- If more than one case is brought by the community, Liti Capital plans to organize different pools in which community members can either lock LITI or wLITI tokens as explained above. Liti Capital commits to pursue the case or cases that received the largest number of LITI and wLITI.

- At the end of that process, Liti Capital commits to pursue the case or cases that received the largest number of LITI and wLITI. The exact number of selected cases LitiCapital can pursue at any given time will depend on each case's estimated costs.

Case Management

Once a case is selected, token holders will get the same world-class expertise and service that any other assets acquired by the Company would otherwise receive *at absolutely no costs*, which in short includes the following components:

- Liti Capital conducts in-depth investigations into the fraudulent crypto project by identifying perpetrators and co-conspirators and by determining the assets that can be recovered as well as their location.
- Liti Capital selects and works with the best legal counsel to build a civil and / or criminal case according to its jurisdiction.
- Liti Capital provides litigation support throughout the various applications as well as strategic advice to the legal team.
- Finally, Liti Capital closely works with its internal and external teams post-judgement to ensure a fast recovery process, which includes returning as much money to the people harmed as possible.

Financial Component

- Liti Capital will provide financing for all costs related to the case.
- Upon an award being granted to plaintiffs, Liti Capital will be reimbursed all costs it has advanced and 10% of the total amount awarded to the plaintiffs to cover its overhead expenses. The remaining 90% of the award will be redistributed among the plaintiffs, pro-rata to their loss.
- Critically, the risk of a potential loss will be on Liti Capital. The LITI Capital token holders will not be required to advance any funds or take any risk with respect to this action. LITI Capital will complete all actions, as well as take on the risk required to prosecute the claim on behalf of its community.

Case Bounties

Liti Capital has up to two million LITI tokens at its disposal to engage with and reward community members for their contributions to the project. With this aim in mind, Liti Capital will use a bounty system to incentivize individuals that provide leads throughout the case life cycle (Figure 5). To benefit from the bounty, community members should hold at least 1 LITI or 5000 wLITI tokens during the duration of the case assessment.

Due to the subjectivity inherent in some of the bounty determinations, Liti Capital will be the only decision-making entity that determines whether an action is eligible for a bounty. Having said that, it is the Company’s intention to err on the side of awarding bounties to members of the community that work to add value to our Company.

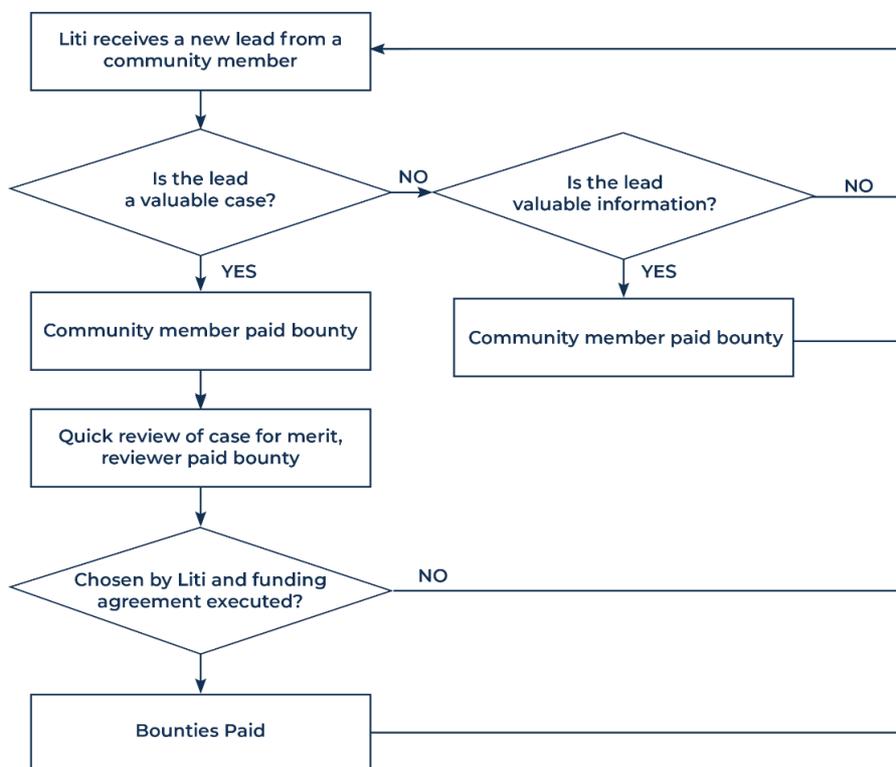


Figure 5. Bounties payment decision tree.

Phase 1: Identify A Valuable Case

- Liti Capital pays a bounty if a community member identifies and presents a potentially interesting case that is later validated by the Company for preliminary investigations.

Phase 2: Case Founded

- Liti Capital pays another bounty to the community member that initially introduced the case if the latter is integrated to the Company's asset portfolio.

Phase 3: Providing Case-Related Information

- Liti Capital rewards community members that provide relevant information regarding a case under management.
- Those leads include but are not limited to the discovery of asset, their location, any information regarding the parties involved as well as other relevant data that could help advance the case.

As the Company is committed to unlocking unprecedented value to its token holders, the Company hopes that this project will echo your values and aspirations for an equal access to justice, financial opportunities and profits. Liti Capital has the privilege to count on an amazingly active community that helps supporting and promoting this initiative. Thank you to all of you for your time and contribution to this project.