INVESTING IN TOMORROW

SONIC CAPITAL

Investment Thesis

Our mission is to save the planet
and make money while doing it.

September, 2020

1. Introduction

As humans, we have an incredible ability to drive change. We have proven time and time again that with innovation, creativity and tenacity, we can overcome obstacles and bounce back from any disaster.

Regardless of artificial barriers, constraints, regulations and restrictions, we have always managed to identify and implement solutions to thrive and prosper. When given the freedom, in this connected world, we can now harness the power of collaboration on a global scale by leveraging open source software and Creative Commons.

We can save the human race and create a planet that sustains life. To do so, we need to move at an aggressive pace, work across borders and collaborate in an open, transparent fashion. We need to form a united coalition.

Leveraging the blockchain as technology and mobile for distribution, we can unite consumers around relevant matters and remove the barriers that have been created by vested interest groups, legacy operations and imaginary lines on maps. The air we breathe and the oceans that flow know no such restrictions.

At Sonic Capital, we support visionary teams that combine software development, business development and user experience expertise to build solutions that will empower and enable the retail market to lead this movement, while creating a wave of innovation unseen in our past.

2. Adversity Creates Opportunity

We have 10 years to prevent the worst impacts of climate change. With the global energy industry valued at over US $1T, this represents a massive opportunity for companies directly or indirectly tackling issues around sustainability.

There are 1.7B of unbanked adults. Including these individuals in the global financial ecosystem would translate to over $250B in value.

Fraud currently costs the global economy an astounding $5T annually. Imagine what corporations and individuals could accomplish if they were able to retain that lost value.

These Environmental, Social and Governance (ESG) issues transcend borders and impact everyone, regardless of race, religion or nationality. It's safe to say that we all want our future generations to be able to build the best possible lives. We want them to experience blue skies, clean oceans and to be able to satisfy all of their basic needs, which includes having access to financial services, education and healthcare.

Governments aren't doing enough to drive the changes we need to enable that. As a result, the private sector needs to step up and play a more active role, and quickly.

That's only going to happen if there's profit to be made.

Unfortunately, outside of some successful use cases from boutique retail brands, ESG initiatives are largely either driven by regulators or large multinational enterprises. These initiatives tend to be viewed as cost centers, marketing exercises, or PR activities with little, if any, financial upside. Until now.

3. Converting ESG to For-Profit Business

When we combine blockchain's unique characteristics and capabilities with the smartphone, for the first time, we are able to convert the ESG initiatives that can create the bright future we all seek, from a cost center, into a profitable business operation. **Blockchain provides the technology and the smartphone provides the distribution.**

3.1. Environment

We can tokenize environmental assets, providing a way for individuals to invest in the future of the planet and simultaneously earn income from their holdings through dividends. Carbon credits, as a subsector of ESG, is already the highest performing alternative asset class, with a 0.8 sharpe ratio. Secondarily, we can enable the fluid and transparent trading of tokens via exchanges, which enables both consumers and enterprises to engage in this new asset class.

There are amazing technologies that simplify the creation, management and governance of tokens on behalf of issuers, including digitizing voting and distributions, as well as enabling the integration of tokens into services, applications and websites.

3.2. Social

With a global smartphone penetration rate of over 60%, there is no better platform than the mobile phone to drive social inclusion. This figure will continue to grow and as a result, an increasing number of individuals will be able to access tokens and financial services offered via mobile.

There will be an increasing number of digital wallets, robo-advisors, educational applications and marketplaces, further integrating mobile phones into various aspects of people's lives, driving inclusion and enabling everyone to partake in the global economy.

Relative to traditional financial services offerings, mobile first solutions boast vastly improved user experiences, from the onboarding process through to service delivery. This will be critical in decreasing the learning curve for users that are less familiar with blockchain and tokens.

Ultimately, this decrease in complexity will lower the hurdle for adoption and create a new wave of participants who will then have the ability to directly contribute to environmental initiatives and access financial services previously reserved for the more affluent.

3.3. Governance

Blockchain is the ultimate, secure truth machine. Its distributed network manages compliance via smart contracts associated with tokens, while providing transparency and visibility to all through explorers.
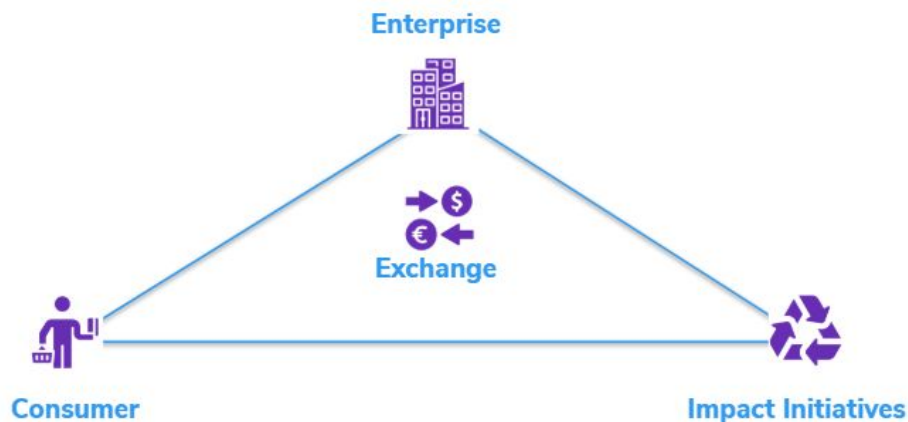
Software developer kits (SDKs), application protocol interfaces (APIs) and development frameworks available to developers will simplify and accelerate the coding of smart contracts for managing tokens and integrations, while ensuring compliance is improving rapidly.

The rapid creation of these tools, combined with the open source nature of blockchain, will drive more talent to the space over the coming years. According to LinkedIn, these are already the most sought after hard skills in 2020.

All of this innovation around blockchain unlocks huge revenue potential for enterprises to harness by incorporating elements of ESG into their product development cycles. This $1T opportunity, from a sustainability perspective alone, can now be capitalized in the balance sheet.

4. The Players

This revolution requires active participation from four major constituents, the continued development of the relevant infrastructure and reliable sources of data.

4.1. The Consumer

Consumers are currently in the driver's seat. They're fed up with the status quo and the sentiment for change is at an all time high. As of 2019, 67% of people globally believe climate change is a major threat and 84% feel that the environmental and social impact of a product is of significant importance.

The Gen Z and Millennial cohorts now make up ~63% of the global population. This segment of the population is digitally native and passionate about the environment and overall wellness. Millennials alone are worth $1T in consumer spending and 73% would spend more for sustainable products. Collectively, we refer to these groups as the ReGeneration.

This generation wants to directly influence, partake in and benefit from making the world a better place. With the advent of tokens and the use of the blockchain, these individuals are now able to invest in projects directly, see the change they're creating, and profit from it, resulting in a personal emotional connection that in the past did not exist.

A perfect real world anecdote for this is the success of AntForest in China. 500M people are commuting on bicycle, on foot, or via public transit to earn "virtual credits", which in turn are used to plant trees. Since launch, over 100M trees have been planted through this initiative. The power of this platform is that it provides users with a clear opportunity to make a difference through their decisions and actions.

On a separate note, the fight for social inclusion regardless of status, race, religion and border, is equally as prevalent in the eyes of the ReGeneration. We believe that the combination of tokenization, blockchain and mobile is the key to driving financial inclusion, specifically.

Consumers with income levels below the threshold of which traditional wealth management and financial institutions would service can now participate in the global economy through financial management applications that are built on the blockchain and leverage cryptocurrencies / tokens. By the end of 2019, we hit 7.9B mobile subscribers, with a forecast to surpass 9B by 2025. We're still just scratching the surface with regards to the range and number of services that will be offered via mobile as a result of this high global penetration. It's evident, however, that the inability for lower income individuals to open accounts with traditional banks will no longer be a hurdle. They will have access to comparable services, but with simple, gamified and interactive user experiences that decrease the learning curve, directly on their mobiles.

Overall, the ReGeneration will thrive in cross border mobility, as individuals and teams are distributed around the world. They will have multiple jobs and side hustles. Data and reputation will become a form of currency, leading to the rise of many gig economy marketplaces and platforms. It will be more important than ever for people to retain a high level of portability and connectivity.

In summary, the ReGeneration is increasingly demanding that the companies and brands that they support and work with are aligned with their value system, champion social inclusion, and enable mobility and the portability of assets.

4.2. The Enterprise

Companies must invest and change to meet consumer demands with regards to sustainability and inclusion, while providing a way for consumers to verify their actions. Rather than loosely implementing policies to appease shareholders, analysts and activists, ESG will need to be integrated into business operations in a real, tangible way.

We're already seeing this take place with many of the major tech companies implementing relevant strategies:

- Amazon is launching a $2B investment fund focused on supporting "decarbonizing and stabilizing technologies". Jeff Bezos has personally committed to fighting climate change to the tune of $10B of investment capital.

- Microsoft has committed to being carbon *negative* by 2030 and to removing all of its carbon emissions since inception, in 1975, by 2050. It has also announced a $1B fund focused on carbon reduction, capture and removal technologies, among other initiatives.

- Apple announced its intention to be carbon neutral across its entire business by 2030. This creates a multiplier effect as its suppliers and manufacturers race to adapt and the entire value chain is transformed into a carbon neutral operation. One month following this announcement, TSMC, an Apple OEM, signed a
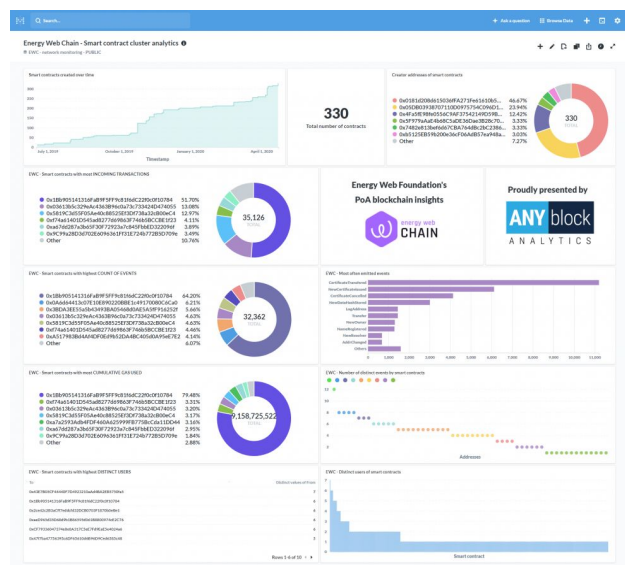
partnership with Orsted for the world's largest renewables corporate power agreement.

- Tesla managed to report net income of $104M for Q2 2020. This is largely due to its sale of regulatory credits in the amount of $428M for the same quarter.

Regulatory Credits Sales

- H&M has said that all products produced by the apparel giant will use more sustainable or recyclable materials by 2030. To that end, H&M has engaged Vechain for it's COS brand in order to provide supply chain transparency to consumers.

This shift will take place on a global scale as companies race to eliminate their environmental impact. From a technical perspective, this is where we believe blockchain technology and smart contracts can help, by ensuring

compliance with the enterprise's stated goals and providing transparency to all stakeholders in a cost-effective way. More specifically, for the enterprise to assure customers of the sustainability of its products, it will require a reliable database, or oracle, with coverage of its carbon footprint, alignment with its sustainability goals and the validation thereof, to ensure its data is accurate, secure and reliable.

Thanks to the decentralized nature of blockchain technology and required third party validation, consumers no longer need to rely on the word of potentially corrupt organizations. In practice, implementing this will require an abundance of expertise, which the enterprise may bring in-house, subscribe to, or even use as an inorganic growth strategy.

From an investment perspective, the companies addressing climate change alone will represent a trillion dollar opportunity according to Bill Gross, founder of Idealab. For the companies themselves, there will be massive commercialization opportunities and potential liquidity events which will range from:

- Consulting firms looking to strengthen their capabilities

- System integration firms looking to support their enterprise clients
- Technology companies and ISV's (independent software vendors) looking for technical solutions to package and distribute through their sales networks
- Enterprises looking to bring unique market differentiation and competitiveness in-house
- STO or IPO opportunities

4.3. The Impact Initiative

As highlighted, the trend of supporting philanthropy, sustainability and social impact related initiatives is gaining strong momentum internationally. We're accustomed to seeing charitable organizations raise funds for various causes and large corporations roll out standalone campaigns.

What's new is the ability for these historically non-profit projects, whether independent or tied to a larger organization, to be able to monetize and consumerize their efforts. Blockchain and tokens are the technology that enable this transformation and the mobile phone provides the distribution to 7.9B devices.

There are a number of benefits to this beyond the obvious:

- Consumers are now able to directly invest in a company and receive tokens representing their contribution or stake, depending on how the offering is structured.
- The distribution and access of tokens via mobile makes it easy for businesses to engage with users, drive relevant impact and ultimately enable the exchange of goods and services.
- Tokens create a new opportunity for organizations to reward customers. Token issuers can now quickly and easily initiate air drops and provide transparency and insights in exchange for their customers' loyalty.
- Consumers can now verify and track their investments and subsequently, observe the direct impact they've created.

To provide a tangible example of this in the context of tokenizing environmental assets, [TreeCoin](#) is doing this with trees. The company cultivates fallow land and plants high quality, fast-growing hardwood forests. An individual can invest any amount of money to help fund this growth, in exchange for the equivalent in TreeCoin. Once mature, the trees are harvested and profit earned from the sale of hardwood is distributed as follows: 40% directly to the token holders, 50% reinvested in additional trees on behalf of the investors, and 10% contributed to various social impact initiatives. As you can see, any holder of a TreeCoin is entitled to receive distributions linked to the companies current as well as future earnings, while supporting the continued regeneration of forests as resources are used.

As demonstrated, what was once considered a charitable cause, can now be converted to a for-profit business. For this to happen, companies need tools and solutions in order to:

- Easily create and issue tokens associated with their business or cause
- Provide transparency to consumers through concrete data and insights
- Manage the governance and relationship between themselves and the tokenholder in an automated fashion with regards to voting rights, distributions, etc.

Companies also need to provide the ability for customers to trade or sell their tokens, which is where the fourth party comes in.

4.4. The Exchange

The exchange is a key element connecting the consumer, enterprise, and impact initiative. Its critical function lies in its ability to establish a market driven price for any given token, as well as to create liquidity and ensure that tokens are freely tradable between parties at low cost. While some people may want to hold on to tokens over the long term to receive income linked to underlying assets, others may want to use their tokens to purchase other coins / tokens, purchase products, or exchange tokens for fiat currency at will.

Using the TreeCoin example, you can envision a scenario in which a TreeCoin holder may want to use that coin to purchase a coffee at Starbucks. This demonstrates the need for technical solutions to enable exchange and payment at both offline and online points of sale (PoS). While the ability to transact in this manner is currently limited, protocol agnostic exchanges and wallets will allow users to assert control over their tokens as described. This will also lead to an increase in the number of merchants that are willing to accept tokens as a means of fair value transfer, as they will only need to adopt one PoS solution to enable the receipt of various coins.

In summary, tools and solutions are required in order to:

- Enable people to spend tokens without the need to own the underlying blockchain protocol's coin to cover transaction (gas) fees.
- Enable people to exchange tokens on a P2P basis, regardless of the underlying blockchain protocol.
- Enable settlement in the preferred currency and in the preferred wallet or account, for both fiat and crypto.

The ultimate goal is to create carbon related tokens as an asset class, where tokenholders can use their tokens to support different causes, purchase different products, earn income, or simply benefit from capital gains by trading in the open market, all while creating positive impact.

5. Sonic Capital

Every economic downturn creates a new wave of game changing companies. As highlighted, we believe that the next wave will consist of decentralized businesses tackling the biggest problems we face as a society.

At Sonic Capital, our mission is to back founders with the ambition to drive change on a massive scale by developing solutions to protect and sustain the planet, drive inclusion, and create accountability by providing transparency. We believe that blockchain technology can drive this whole movement by ensuring compliance to create trust amongst all participants and enable the distribution of rewards via tokens to those contributing to the regeneration of the community and the environment.

On a more granular level, we invest in companies building the infrastructure, technologies, tools and solutions to drive transformation around:

- Environment: Creating the ability to tokenize environmental assets, providing a way for individuals to invest in the future of the planet while profiting from their holdings, whether through income distribution or trading.
- Social: Enabling people to buy and sell tokens by leveraging decentralized exchanges, marketplaces, financial services, non-custodial wallets and payment services, regardless of border, race, religion or financial standing.
- Governance: New developer tools that will allow for seamless integration, oracle services that will authenticate the source of truth and platforms that will be used to develop smart contracts and manage the relationship between token holders, token issuers and exchanges.

We come with a strong network and a wealth of experience as entrepreneurs, business leaders and investors, across:

- Software and business development
- Mobile and the app economy
- Blockchain and tokenization
- Marketing activation
- Fund management

Time is running out. Let's ensure our future generations can experience clean air, blue seas and equal access to financial and other critical services regardless of their circumstances, and make money while doing it. Climate billionaires will emerge from this transformation and we aim to back them from the outset.

We need to start now. Are you in?