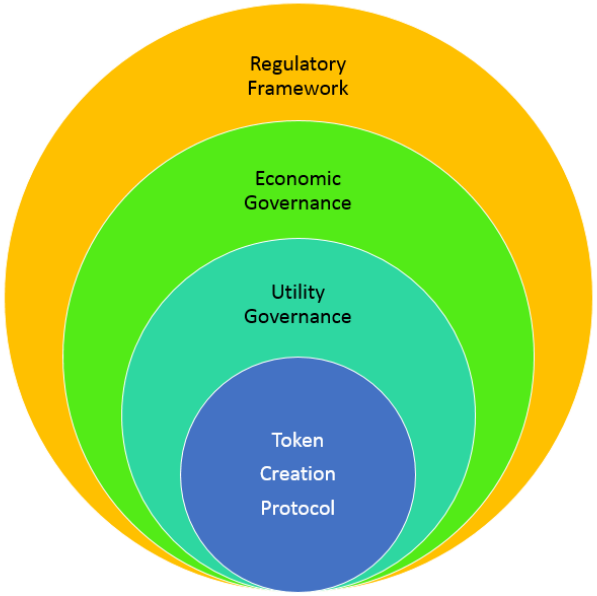
Decentralized Governance Organizations:

A Standard for Creating Regulatory-compliant Security and Utility Tokens



Smart Token Layered Protocol Architecture

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Abstract.

By the end of 2017, over $2 Billion has been invested in cryptocurrency and Blockchain startups. The sudden exuberance and rampant violations of Securities regulations of Initial Coin Offerings (ICOs) have inherited intense scrutiny by regulators worldwide.

Concurrent with an ever-increasing regulatory environment, more accredited and institutional investors are participating in the cryptocurrency asset class. With the mix of retail and accredited investors with historically divergent investment models, token issuers must be more strategic and attentive on how they structure, manage, and govern their ICO offerings.

Current token standards are mere protocols for creating and conducting transfer of value transactions and are incomplete in their ability to provide regulatory compliance capabilities.

Decentralized Governance Organizations (DGOs), tokenized as Smart Tokens, are a next generation innovation for Blockchain projects to create, manage, and govern more regulatory compliant Security and Utility tokens.

The purpose of this Whitepaper is to outline the four (4) distinct types of tokens and to introduce smart tokens as a standard for enforcing the implementation and compliance of these tokens.

This Whitepaper further proposes the practice of separating and incorporating the non-economic governance associated with a Blockchain project with its profit-seeking enterprise incorporated as a separate subsidiary entity leveraging the Swiss Association corporate entity model.

The clean separation of both economic and non-economic activity offers a more agile structure for establishing and governing both Utility and Security tokens.

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Background

Since the emergence of Bitcoin in 2009, a surge of Initial Coin Offerings (ICOs) have entered the market. ICOs could be broadly categorized as Blockchains, Protocols, and Applications.

A Blockchain is an encrypted and distributed ledger for recording peer-to-peer transactions, such as recording the real-world events or the transfer of monetary value between parties.

Protocols provide infrastructure tools from which other decentralized applications could be build and deployed on a Blockchain. Decentralized applications (DAPPS) are similar to web and mobile apps designed for a specific target audience or industry.

Regardless of the type of project, a Cryptocurrency is generally offered to its community of supporters either as a method to monetize their participation or as a means to gain access to the benefits and privileges offered by the platform.

Although each legal jurisdiction may define security and utility tokens differently, the following is a general guideline of how tokens could be classified:

Token Class	SECURITY TOKENS		UTILITY TOKENS	
Token Type	**Dividend Token**	**Speculative-Value Token**	**Access or Usage Rights Token**	**Participatory Rights Token**
Definition	A dividend token is intended to payout money to its stakeholders based upon the value or performance of its underlying assets.	A speculative-value token has no "substantive" utility value and is primarily purchased for the speculative "Store of Value" and the payment or "Exchange of Value" between stakeholders.	An access rights token is primarily design to provide its stakeholders access to products and services and to privileges and benefits intended for actual usage.	A participatory token is primary designed to provide its stakeholders governance, influence, and some level of control over the underlying project represented by the token.

Because each country may have different and conflicting regulations on how to conduct Security offerings, on what comprises a Security and Utility token, and on which token type requires Anti-money Laundering (AML) and Know Your Customer (KYC) checks, Smart Tokens must be configured by the token organizer to determine –

- Which regulatory framework, if any, to be applied to their token offering
- Who qualifies to purchase their tokens (e.g., retail and/or accredited investors)
- What access and usage benefits, if any, are inherited with the token purchase

- What economic benefits or payouts, if any, are inherited with the token purchase
- Any minimum and maximum limits on the purchase or the offering
- Any legal jurisdictions which are excluded or included in the offering

The Yetta Token Standard will support the major capital raising regulations or exemptions within the United States, Switzerland, and other major countries; and would automatically within the token contract enforce the rules to ensure all token purchases are compliant with the intended regulatory rules or exemption thereof.

Decentralized Identification

The Yetta Blockchain will support enhanced privacy. However, for extended functionality and to easily participate in enhanced services, such as Security ICOs, yetta stakeholders could elect to create and share their verified personal identification and financial profile information using our decentralized identification system following the W3C working group standard.

Licensed brokers are generally required to verify accredited investor only offerings. And each time an accredited investor wants to participate in an accredited investor only offering with a different issuer, they need to repeatedly have their financial status verified. This creates a friction and a painstaking purchase process.

The Yetta Decentralized Identity (DID) System could be a solution to this problem and could make participating in ICOs very easy and straightforward for purchasers.

For example, the DID system could store personal name, organizational name, date of birth, marital status, annual income, net worth, accreditation status, and legal domicile jurisdiction verified by a licensed broker and stored in the Yetta Blockchain for other ICOs to leverage.

Metadata such as the licensed broker and the last date of verification would also be available. Stakeholders would give permission to which parties could view their personal information.

A Layered Architecture for Smart Tokens

Yetta Smart Tokens introduces a layered architecture of functionality configured to the needs of the token organizer or issuer. The foundation layer of a Smart Token is the basic token creation and value transfer functions needed to operate as a store of value or payment token. This would be similar to the functionality of an Ethereum ERC-20 or ERC-223 token.

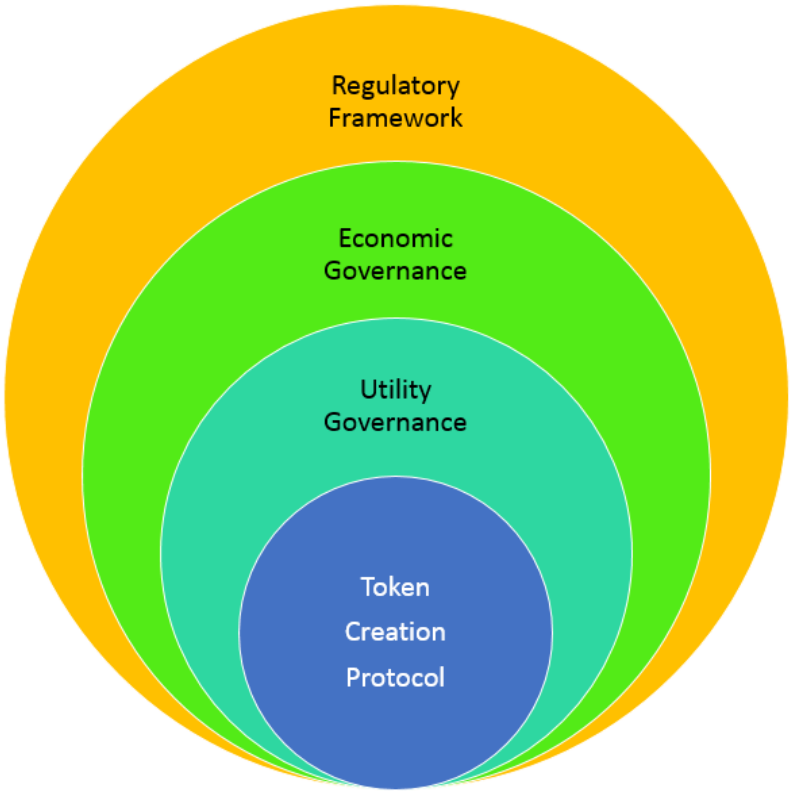
The second layer is the governance layer which defines the utility and/or economic properties of the token such as voting rights, underlying project operating parameters and rules, and any applicable dividend payout provisions.

Some tokens may not have any applicable utility or profit-seeking economic purpose. And some tokens may be hybrid tokens and have both utility and profit-seeking properties. As such, some

may consider the governance of the economic and non-economic features of a smart token as separate governance layers.

The third layer is the regulatory layer. It includes the Securities regulatory framework, or lack thereof, the token relies on for accepting purchases from the general public. The token could rely on one or more regulations spanning across multiple legal jurisdictions. Also, the token could be defined as an unregulated token and not subject to any regulatory restrictions.

A visual illustration of a Layered Protocol design for a Smart Token is depicted below.



Smart Token Layered Protocol Architecture

Decentralized Autonomous Organizations (DAOs)

A decentralized autonomous organization (DAO), sometimes labeled a decentralized autonomous corporation (DAC), is an organization that is run through rules encoded as computer programs called smart contracts. A DAO's financial transaction record and program rules are maintained on a Blockchain.

The concept of a "Decentralized Organized Company" was proposed by Daniel Larimer in an article titled "Over Paying for Security" in Let's Talk Bitcoin published on September 7, 2013. [9] Subsequently, Vitalk Buterin, the founder of the Ethereum Blockchain, proposed DAOs could be implemented on the Ethereum Turing-complete Smart Contracts platform. [10]

Stakeholders of Cryptocurrency in a DAO are usually profit seeking participants of the underlying business venture. As such, DAOs tightly couple the rules for operating a business venture with the management and governance of that business venture. And depending upon the performance of the underlying business, smart contracts are executed to give payouts to its stakeholders.

The precise legal status of DAOs is unclear; [5] some similar approaches have been regarded by the U.S. Securities and Exchange Commission (SEC) as illegal offers of unregistered securities. [4][6][7] Although unclear, a DAO may functionally be a corporation without legal status as a corporation: a general partnership. [8] This means potentially unlimited legal liability for participants, even if the smart contract code or the DAO's promoters say otherwise. [8] Known participants, or those at the interface between a DAO and regulated financial systems, may be targets for regulatory enforcement or civil actions. [8]

Due to the fact DAOs lack legislative good standing, the founders and the participants in a DAO are exposed to extreme legal liability and civil risks as all participants operate without any legal jurisdiction or corporate liability shields. Even if a DAO forms a corporate entity, it would not escape the Securities Regulatory landscape as Securities Regulators will always examine the underlying behavior and activities of the DAO to determine if it violates any Securities Laws.

DAOs also lack a uniform architectural framework and best practice coding methodology. As such, programmers of DAOs have broad liberal rights and coding these decentralized smart contracts. This unstructured programming approach to creating DAOs increases the inherent security risks.

Once the DAO code is published to the Blockchain it becomes difficult to update any known bugs or security breaches without having to fork the code and reconfirm all of the stakeholders.

Most DAOs are intended to solicit voting from its participants on how to manage and operate the encapsulating business venture. However, most DAOs have not designed a governance model or a technological approach to ensure all participants in the DAO are active contributors. Any lack of full participation from DAO members lessens the original intent of the DAO and potentially increases the risk of being classified as a Security by regulators.

Smart Tokens are the realization of DGOs codified as Smart Contracts on a decentralized Blockchain and solve the major inherent deficiencies associated with DAOs.

Decentralized Governance Organizations

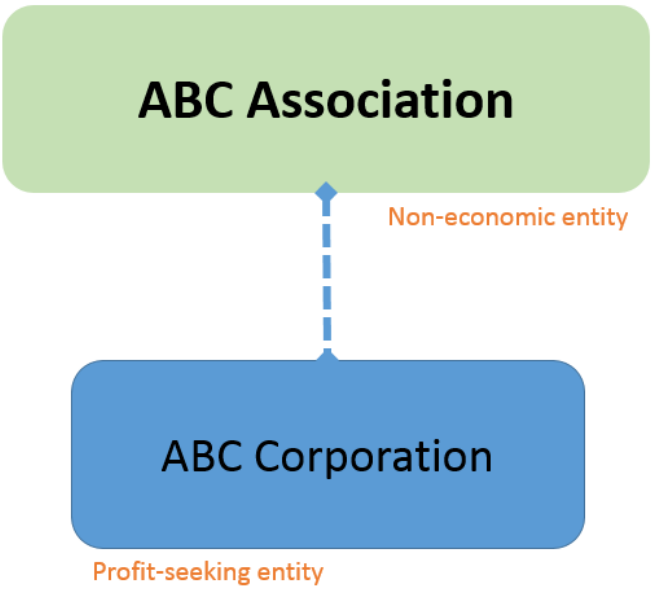
A Decentralized Governance Organization (DGO) is a decentralized organization of stakeholders responsible for governing the token economics, regulatory requirements, and operating rules of its underlying project through a regulatory compliant framework.

DGOs are the computing equivalence of a legal Association automated as a self-governing Smart Contract on a Blockchain. DGOs are implemented as decentralized digital enterprises codified using a set of smart rules for managing the inclusion, exclusion, participation, and voting of members to govern a separate and distinct project, business venture, or enterprise.

When DGOs are tokenized as Cryptocurrency, we also refer to them as Smart Tokens. Depending on how the DGO is configured in terms of who controls the influence and decision-making, management or the decentralized community, and whether the stakeholders could earn royalties or dividend payouts, a DGO could be operated to realize a utility or a security token.

Yetta advocates establishing a governance organization distinct from any potential profit-seeking venture using the Swiss Association legal entity. See a visual depiction below.

A Proposed Entity Structure for DGOs



Tokenizing governance of a Blockchain enterprise requires the founders and the community to understand the distinction between a non-economic governance organization and an economic profit seeking business venture.

A governance association has no operational involvement or financial stake in the underlying business they are governing. View governance organizations like a political party organization. They set the policies, rules, and roadmap for entities within its ecosystem.

For Blockchain companies, the role of a governance association could be to govern the mechanics of how a Blockchain consensus algorithm works, how nodes are added or removed from the network, which applications are deployed on the Blockchain, what features should be supported for a decentralized application, the budget and funding levels for a project, or even the pricing associated with the usage of a Blockchain application.

Once the governance rules are voted and established by the governance association, the underlying project or organization should abide by those rules.

With DGOs, every single governance decision is codified as a fieldname with a data type and is recorded on the Yetta Blockchain. There is significant information associated with each governed dataset, such as date last voted, the drill down percentage of votes, and the expiration date of such a vote. Some governance parameters, such as transaction pricing, could be up for voting periodically, such as once per year, or even once every ten years.

A DGOs could literally govern, one, ten, hundreds, or even thousands of data fields.

Smart Tokens are the tokenization of DGOs. Depending on how the DGO is governed, centralized or decentralized, whether the token holders receive pass through dividends from the underlying entity, and other factors, the smart token could be considered a utility or a security token.

A keen benefit of separating and incorporating a governance organization from any underlying profit-seeking venture using a Swiss Association is the limited liability of its governing members and the benefits and sustainability of operating within a legal framework.

Key Differences between DAOs and DGOs

The following table highlights some keen differences between DAOs and DGOs.

Feature	**DAOs**	**DGOs**
Regulatory Framework	None	Association Legal Formation
Formation Purpose	Economic Purpose	Non-economic Purpose
Tokenization Scope	Tokenizes both Governance and Commercial interests.	Tokenizes only Governance; Commercial Interests are formed in a subsidiary.
Proxy Voting	Supported	Supported for Security Tokens.
*Delegate Voting**	Not Supported	Supported for Utility Tokens.
Programming Model	Unstructured; Unique coding per DAO.	Structured; Configuration driven. Same code base for all tokens of the same type.

Delegate voting is similar to a democratic political party voting system; where Board Members state their positions, and the community or general assembly cast their vote on the Board Member who best represents their views or interests. This is opposite of proxy voting where one relies on the expertise of another and gives them the power of authority on their vote without necessarily having a position or understanding the underlying issues.

A DGO Smart Tokens Framework

Although each legal jurisdiction may define security and utility tokens differently, the following is a general guideline of how tokens could be classified:

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Pricing Model	Initially established by the Issuer and fluctuates based upon the performance of the underlying assets.	Initially established by the Issuer and fluctuates based upon the market supply and demand for the token.	Initially established by the Issuer with no future published pricing chart. Issuer pricing changes should be rare and not published in advance of any token purchases.	Initially established by the Issuer with no future published pricing chart. Issuer pricing changes should be rare and not published in advance of any token purchases.
Transferability Rights	Can be transferred and sold for profit.	Can be transferred and sold for profit.	Can be sold for profit. However, the Issuer should not facilitate the transfer and sale of its token for profit.	Can be sold for profit. However, the Issuer should not facilitate the transfer and sale of its token for profit.
AML / KYC Requirements	Generally required.	Generally required.	Based on the regulatory jurisdiction.	Based on the regulatory jurisdiction.

Security Risks	n/a	n/a	Risks being classified as a security token if any of the following occur – Purchasers do not actually use the token for the intended product or service; but rather hold the token for an intended future sale for profit. The Issuer creates a market for the token by listing current and future prices for the token. The issuer promotes the token as an income producing token for investment.	Risks being classified as a security token if any of the following occur – Purchasers are not active participants in the governance and influence of the project; but rather hold the token for an intended future sale for profit. The Issuer creates a market for the token by listing current and future prices for the token. The participation is not considered material enough to influence the project's outcome.

DGO and Smart Tokens Use Cases

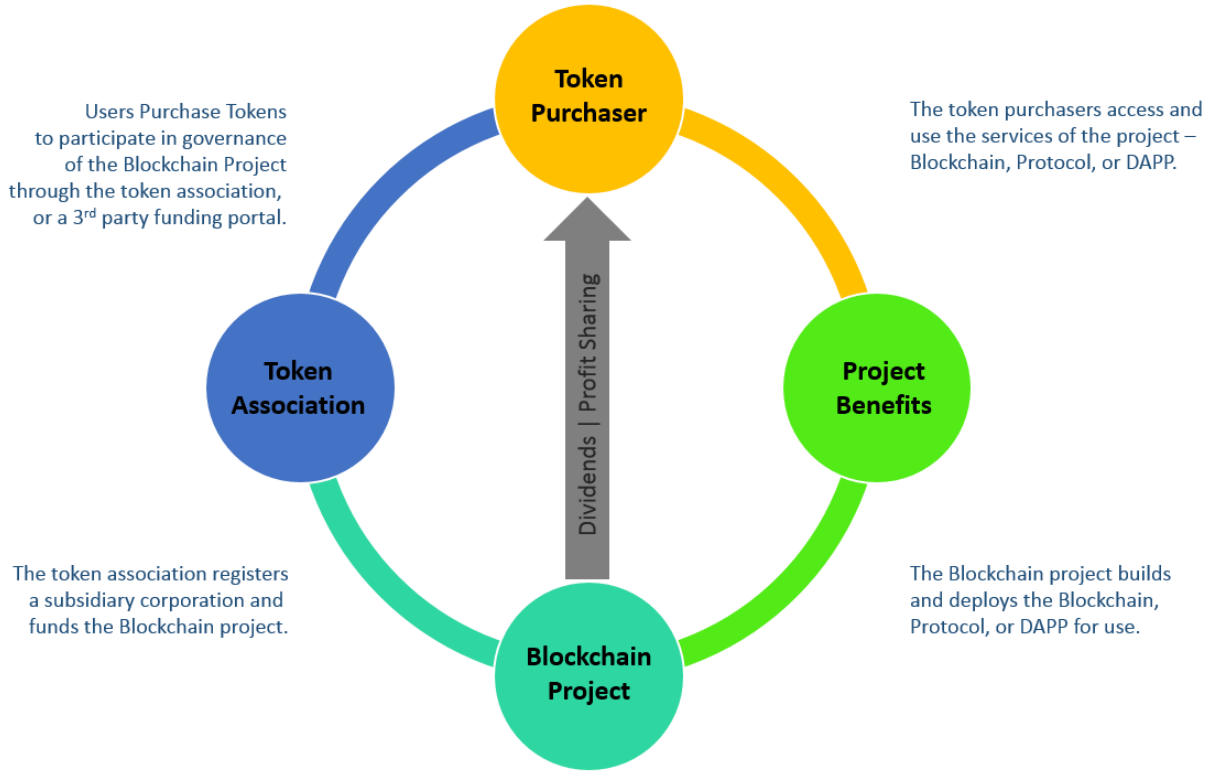
DGOs could be configured to govern traditional multinational corporations, enterprise organizations, or decentralized utility and economic Blockchain projects.

DGOs for Blockchain Securities

Smart tokens that payout dividends or offer an investment contract to their stakeholders are considered Security tokens. For example, the governance model around a securitized real estate project could include –

- The scope of the business venture
- What are the investment criteria
- What specific asset would the fund select for investment
- What is the valuation model for the fund
- How do we price the investment
- When and how are dividend paid
- What are the redemption terms

An Entity Relationship Diagram for governing a Security Token is depicted below.



A Decentralized Governance Organization Security Token Entity Relationship Diagram

DGOs for Blockchain Utilities

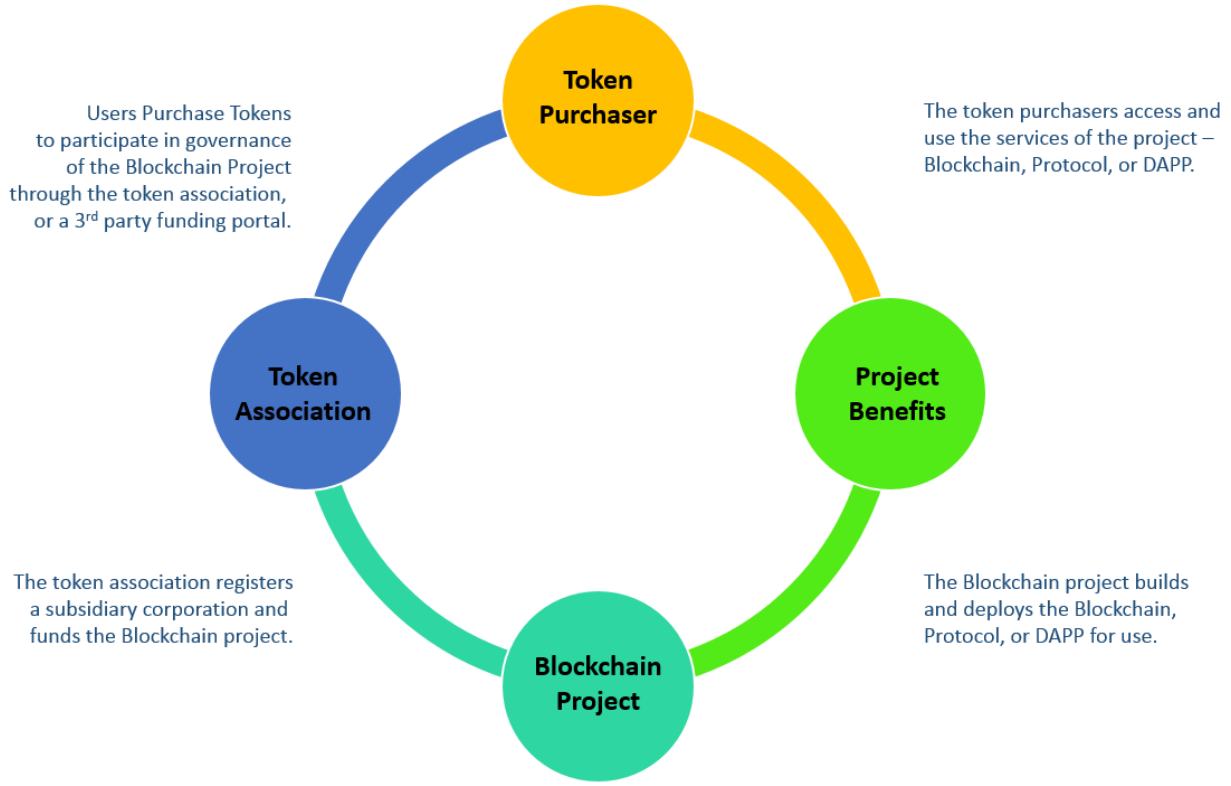
There have also been many utility projects in the Cryptocurrency marketplace. There are broadly two types of projects that could be classified as utilities: Access or Usage Rights and Participatory Rights projects.

An Access Rights Blockchain project would provide its contributors access to the products and services of the platform. There could be additional benefits and privileges also granted for being a contributor to the project.

The framework for governance around an Access Rights utility project could include –

- What is the scope of our application
- What are the iterative phases and milestones for the project
- What features and functions should be included in each phase
- What is the roadmap and timeline
- What is the pricing model

An Entity Relationship Diagram for governing an Access Rights utility is depicted below.



A Decentralized Governance Organization Utility Token Entity Relationship Diagram

A Participatory Rights Blockchain project grants contributors voting power to influence key aspects of the project to make it a success in the marketplace. Although the contributors may not be legal owners in the company, functionally it mirrors an "Owner Operator" investment model.

In a Participatory project, contributors may very well expect to earn profit by participating in the project. The reason why it would still be classified as a utility and not a Security is because of the participant's direct involvement in influencing the outcome of the project.

Let's consider a more common example where three friends pull their money together and starts a restaurant where one person is the Chef, one is a Waiter, and the other decides not to work in the business and prefers to keep her full-time job.

In this example, the investments made by the Chef and the Waiter are not Securities because they are "Active Participants" and can influence the performance of the business; whereas, the third person's investment would be considered a Security because she is a passive investor.

Some compelling Use Cases for Participatory Blockchain projects include –

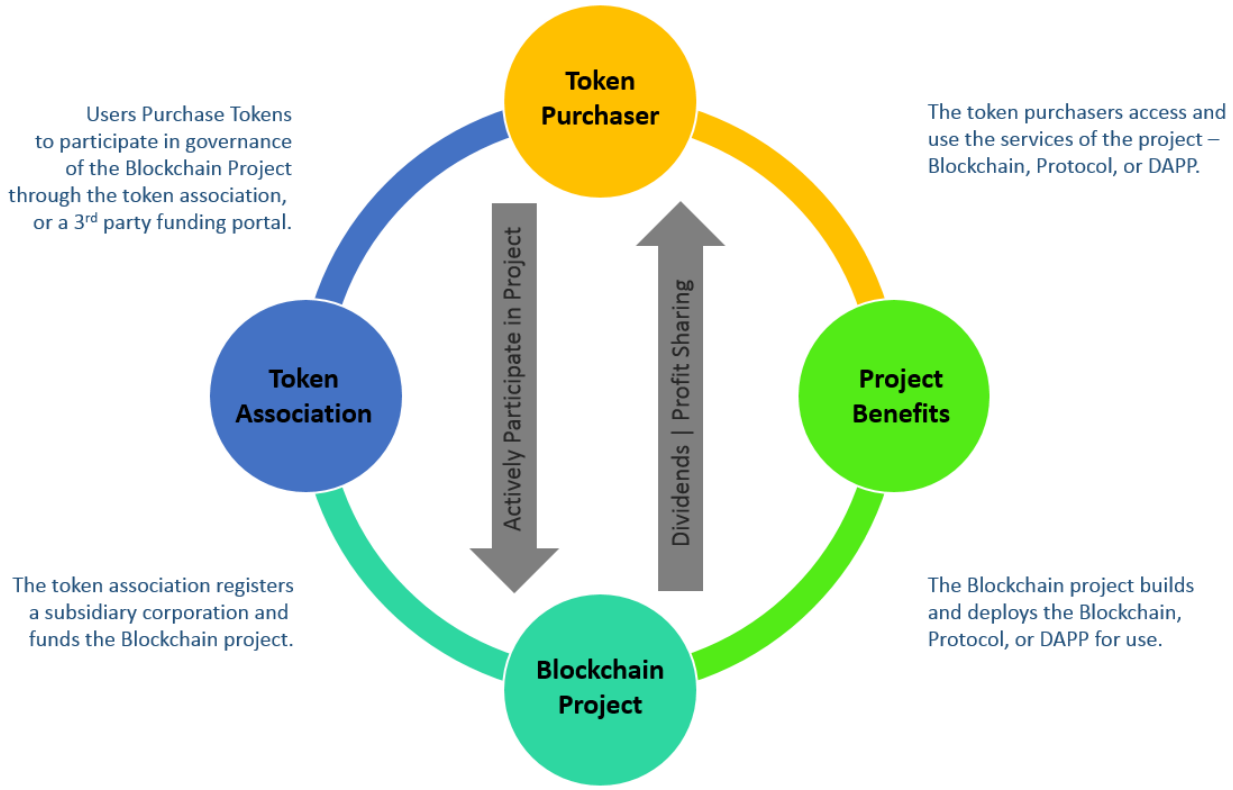
- Miners or Nodes in a Blockchain Network
- A Governance Community Voting on Policies, Standards, and a Framework
    - For example, a Blockchain, Protocol, or Application Project

- A Management Community Voting on Key Tactical and Operational Decisions
    - For example, an Investment Club

It should be noted a community that votes on key decisions of a project does not have to vote on every decision facing the organization. In the above restaurant example, I'm sure the Chef and the Waiter independently make key decisions within their own roles and responsibilities.

As such, a DGO does not have to decide on every single aspect of governing an organization. However, the scope of their governance should be material enough to impact the potential performance of the underlying organization.

An Entity Relationship Diagram for governing a Participatory Rights Utility is depicted below.



A Decentralized Governance Organization Participatory Token Entity Relationship Diagram

Implementing DGOs on the Yetta Blockchain

A DGO is a regulatory compliant governance organization operating over a Blockchain. A DGO could be established based upon any country's association legislation. However, the Yetta DGO Smart Contracts will be configured by default to the Swiss Association legislation and related NPO Codes. Nonetheless, token organizers could modify the default value to fit their specific needs.

Articles of Association

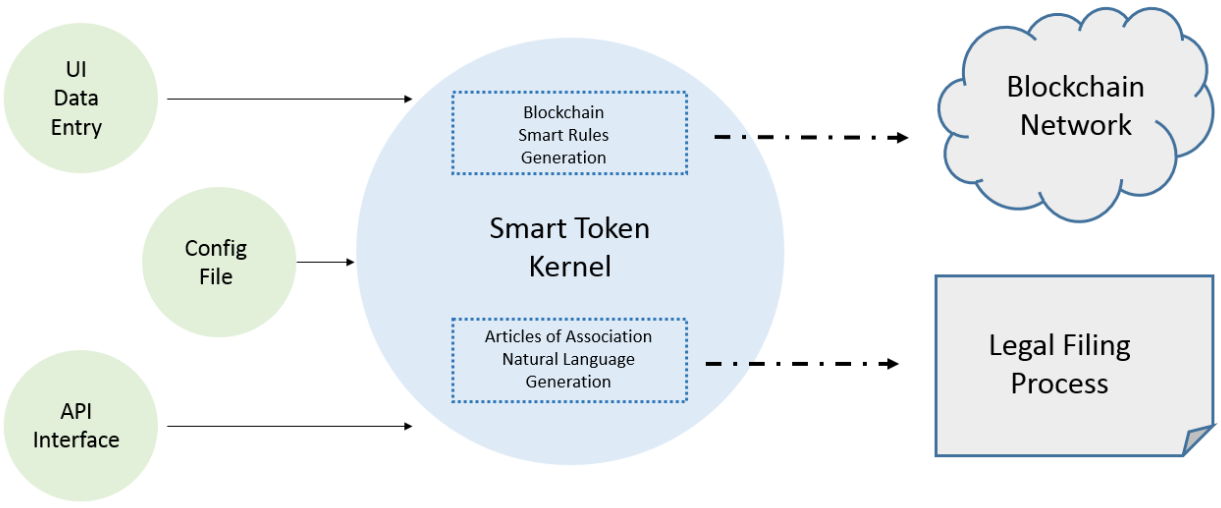
The Articles of Association must be available in written form. These are the actual Bylaws outlining the mission of the association and its policies and procedures for operating the association according to its adopted jurisdiction.

As such, a fundamental step in the DGO creation process is to construct the Articles of Association to record in the Yetta Blockchain. This could be accomplished by the founder(s) providing several answers related for forming, managing, and governing the association.

The DGO configuration information could be stimulated by a manual data entry device, a prepopulated configuration file, or via an Automated Programmable Interface (API) transmission.

The DGO configuration information is not only used to generate the Articles of Incorporation, it also serves as the basis for generating the smart rules for the Smart Token.

A high level conceptual architectural design for the Smart Token system is depicted below.



Smart Token High Level Component Architecture

Regulatory Compliant Smart Tokens

The Ethereum ERC-20 Standard has become the de facto standard for creating and monetizing Cryptocurrencies. Given the increasing regulatory scrutiny over Presale and ICO tokens, Yetta seeks to advance the State of the Art and to propel the Cryptocurrency industry forward by introducing improved token standards that not only meet their intended purpose, but also enforce enhanced regulatory compliance.

Degrees of Decentralization (DoD)

The Degree of Decentralization (DoD) is defined as the total influencers of the project divided by the total members of the DGO.

DEGREE OF DECENTRALIZATION = (INFLUENCERS / DGO MEMBERS)

The closer the DoD is to 1.0 the more decentralized the DGO. DoD for Participatory Utility Tokens should be as close to 1.0 as possible, especially if there are profit sharing expectations for the participating members.

For Participatory Tokens requiring a high degree of participation, the DGOs are designed to enforce participation; A non-response to voting could also be structured as participation if the Articles of Association Bylaws and underlying Smart Contracts are implemented properly.

Whereby, with Yetta DGOs, all votes have a default recommendation, such as ‘Yes’ or ‘No.’ If the member agrees with the default recommendation, they do not have to vote or respond within the expiration period. A non-response not only saves money from submitting your vote on the Blockchain, it also means the user agrees and accepts the default vote of the proposal. As such, a no-response is an affirmative response enforcing 100% utility participation.

Introduction to Swiss Associations

Switzerland has a longstanding tradition and well-established experience in hosting institutions established in the form of an association. Due to the very liberal and flexible regulatory regime, the favorable tax environment, and the stable and reliable political and financial system, associations of global relevance have chosen to be domiciled in Switzerland for decades.

For globally decentralized Blockchain projects, the establishment of a Swiss law governed association inherits a variety of advantages for its founders and members.

A Swiss Association is not subject to the regulation of the Securities and Exchange Commission in the U.S. or similar regulatory bodies in other countries. A Swiss Association is useful to limit the cross-border liability of partners and members. This is essential in order to hedge the risk of legal problems in one country affecting a whole Blockchain community or network.

Under Swiss law, an association qualifies as a group of natural persons and / or legal entities constituted and organized on the basis of a written agreement with the pursuit of a non-economic purpose while maintaining their status as separate legal entities.

Associations running a commercial enterprise to promote their non-economic aim are required by Swiss law to register in the competent commercial register. Such commercial interest, however, must be of a subsidiary character and may not form the principal objective of the association.

This separation between the parent governance organization ("Association") and the subsidiary operating company ("Business Venture") is a stark contrast to a DAO which merges and blurs the lines between these distinct functional roles.

Swiss Associations Governance Model

Although Swiss Associations were legislated prior to the Blockchain revolution and were intended primarily for multinational corporations requiring global branding and governance, the legislation is also ideal for global Blockchain companies with a multinational community of supporters.

The following subsection are excerpts from the Swiss Association Publication 17 and represents the most essential regulations for governing as a Swiss association and serves as the governance requirements from which to build Smart Tokens.

Corporate Bodies

Swiss associations are required to have two corporate bodies: (i) the general assembly and (ii) the board of directors. The general assembly is the supreme governing body of the association. It

decides on the admission and expulsion of members, appoints the board of directors and resolves all matters not assigned to other corporate bodies in the articles of association.

The general assembly has the non-delegable and inalienable right to amend the articles of association and the right to decide on the dissolution of the association.

The board of directors has the right and duty to manage the affairs of the association and to represent it in accordance with the powers conferred on it as set forth in the association's articles of association.

The Swiss NPO-Code, Corporate Governance Guidelines for Non-Profit Organisations in Switzerland, see http://www.swiss-npocode.ch/e_npocode.htm, suggests the board of directors should be structured in a way to enable its members to develop informed and independent views on key issues of the association.

Furthermore, according to the NPO-Code, the board of directors should consist of a minimum of five (5) members (§ 13 NPO-Code). It is recommended to adhere to the suggestions stated by the NPO-Code unless specific, justifiable and reasonable issues direct to proceed differently.

Board of Directors Election Procedures

Although board members are generally appointed by the general meeting, the articles of association may provide for other election mechanisms, such as co-optation, where the Board of Directors or the Founder elect the Board of Directors.

General Assembly members or non-members could be elected to serve as board members.

Subject to differing provisions set forth in the articles of association, board members are elected with simple majority by the general assembly. An election requires the express consent of the designated board member.

If the association is registered with the commercial register, a formalized acceptance declaration must be filed with the commercial register.

Term of Office

Swiss law does not provide for a fixed term of office for board members; the association may determine the term of office in its articles of association.

Irrespective of the aforementioned, the general meeting has the inalienable right to dismiss board members at any time without prejudice to contractual rights of the dismissed persons.

The NPO-Code suggests that a period of office of a board member should not exceed four years, and that no individual shall remain board member for longer than twelve years (§ 14 NPO-Code).

A term of office of one year is regularly recognised as good corporate governance in Switzerland.

Board Meetings

Board meetings may be called orally or in writing, including or without an agenda, to the extent the articles of association do not provide for differently.

Swiss law does not provide for a minimum number of annual board meetings. According to Swiss legal doctrine, board meetings shall be called as need arises. In addition, board meetings shall be called upon the request of one fifth of the board members.

The NPO-Code does not provide for a minimum number of annual board meetings. However, as a general rule, corporate governance standards suggest at least four ordinary board meetings per year, whereby the number of meetings shall be adjusted in view of the relevant circumstances and the ongoing complexities of the business.

Board meetings may also be held by way of telephone, video conference, or as designated in the articles of association. Board resolutions may be taken by way of circular resolutions.

Residency Requirements of Board Members

Swiss law DOES NOT provide for residency requirements towards board members of Swiss associations. This contrasts the rules applying to Swiss corporations and limited liability companies where at least one person, not necessarily a board member, holding sole signatory rights on behalf of the association, must be resident in Switzerland.

In practice, the federal office for the commercial registers as a rule prefers that Swiss associations have at least one individual holding sole signatory power residing in Switzerland. Moreover, the availability of at least one local representative is an aspect of good corporate governance.

Furthermore, Swiss tax authorities regularly require that the association appoints a local representative to hold sole signatory power. Although not required, it is strongly recommended to have at least one Swiss resident individual authorised to represent, and act for and on behalf of, the association.

General Assembly Membership

General Assembly Membership may be acquired either by participation in the foundation of the association or by granting of membership by the association at a later stage. At any time, new members may be admitted by simple resolution of the association's general meeting. No one can

be forced to join an association whereas it is in the association's discretion to refuse an applicant, even if the latter fulfils the conditions required for admission.

Nevertheless, admission and exclusion shall not lead to an excessive limitation of competition.

The association's articles determine the procedure of admission, which is generally within the competence of the general meeting.

Membership terminates by resignation of the member or by expulsion by the association. Each member may leave the association at six months' notice. The articles may shorten this period whereas an extension is prohibited. In certain cases, the courts may admit a resignation becoming effective immediately.

If the association's articles do not provide for the contrary, a member may only be excluded on material grounds, such as, e. g., for non-payment of membership fees. The articles may, however, set forth grounds of expulsion or even permit exclusion without indicating any reason.

The expulsion must in any case comply with the requirements of form and must not be arbitrary. If, according to the articles, expulsion is in the competence of a body other than the general assembly, then appeal against the expulsion may be addressed to the general meeting.

Membership Rights and Duties

Members have various rights, such as, most importantly, the right to vote; also, members have the right to ask for a convocation of the general meeting; to be informed about the activities of the association; to demand the annulment of certain assembly resolutions being in contradiction to the law or to the articles; as well as the right of the maintenance of the stated non-economic aim of the association.

Members have only few duties towards the association, i.e. the obligation of loyalty towards the association, whose interests they must not prejudice. They must also pay the fees fixed by the articles or necessitated by the financial situation of the association.

Provided that the association's articles do not contain provisions to the contrary, the liability of the association is limited to its own assets and members do not have a liability for the association's debt. The articles may provide for other obligations of members.

General Meetings

Swiss law does not provide for a fixed frequency of general meetings. Hence, general meetings are called in accordance with the articles of association, usually by the board of directors.

In addition, pursuant to statutory law, 20 % of the total of the association's members may request calling a general meeting.

As a general rule, Swiss associations normally hold at least one general meeting per year, which, inter alia, resolves on the annual financial statements.

Funding and Bookkeeping

To carry out its business, the association will require a certain amount of funding. The amount of required funding of course depends on the association's business plan and envisaged operations.

Swiss law does not provide for minimum capital requirements for associations (in contrast, such requirements exist for corporations and limited liability companies).

Funding of the association may be effected in various ways. Generally, associations are funded through membership contributions. Swiss law provides that each member is obliged to pay membership contributions as set out in the articles of association. Nonetheless, the articles of association may provide for other funding regimes.

Swiss Associations vs. Swiss Foundations

Given many Blockchain startups have founded Swiss Foundations as the regulatory framework for their ICOs, it should prove valuable to outline the keen advantages of a Swiss Association over a Swiss Foundation.

Swiss law governed foundations are often used for common welfare and cultural institutions or company pension plans. The objectives of the foundation are determined by the founder(s).

A foundation does not have members but only beneficiaries. Foundations are often established for charity purposes. Swiss law provides for government supervision over foundations.

The law does not provide for a fixed minimum capital, however, in practice, foundations are regularly capitalized with at least CHF 50,000.

Swiss Foundations offer keen risk for founders with residency outside of Switzerland. Because the foundation must have a local Swiss citizen as a founding member of the Foundation, influential control could be relinquished by the original founders.

In a high profile lawsuit between Tezos, a Switzerland foundation, which raised over $230 Million in an ICO, and its USA-based founders and parent company, Dynamic Ledger Solutions, the founding owners are in legal dispute over control of the funds in the foundation.

If the Tezos founders leveraged the Swiss Association model, they could have maintained control of the project and its tokenized assets without relinquishing control to a local Swiss resident.

Besides, Swiss Foundations are not similar to most Non-profit foundations in other countries. Forming foundations are rare in Switzerland and they are viewed with scrutiny from government agencies and have very strict guidelines for operations and use of proceeds.

Yetta as a Utility Token

The purchase of yetta (ÿ) inherits the following privileges –

a. Membership into the Yetta DGO for governing the Yetta Blockchain

b. Actively participating as a Cyphernode on the Yetta Blockchain

c. Obtaining access and usage rights of the Yetta DAPP Store

Yetta as a Participatory Utility

All stakeholders of yetta are allowed membership into the Yetta Association to govern operations and performance of the Yetta Blockchain.

All configuration parameters needed to govern and operate the Blockchain, from fee schedules to block intervals and transaction sizes, to the inclusion and exclusion of Cyphernodes, and the Proof-of-Trust Consensus Algorithm are all democratically governed and influenced by our stakeholders.

Our Proof-of-Trust Consensus Algorithm is based upon a Byzantine fault-tolerant consensus algorithm and the voting mechanism is based upon the Swiss Association board resolution rules.

To participate as an income-producing Cyphernode on the Yetta Blockchain, Cyphernodes are required to make an initial purchase of yetta or "monetary stake." Every stakeholder participates in our network either as a Micronode, Mesonode, or a Meganode.

Micronodes are basically Wallet Stakeholders and verify certain transactions on our network. Mesonodes serves as the backbone of the Yetta Blockchain; and Meganodes are super computers and verify a broader set of transactions and more computing intensive transactions.

The Meganodes are the equivalent to the Swiss Association Board Members; and the Micronodes and the Mesonodes represent the General Assembly.

All the Swiss Association mechanics of admitting and expulsing Board and General Assembly Members (Cyphernodes), Blockchain governance voting, and the Proof-of-Trust voting mechanisms are all compliant with the Swiss Association and NPO-Code guidelines and transacts in real-time on the Yetta Blockchain.

By enlisting every yetta purchaser as a Cyphernode on the Yetta Blockchain, every purchaser is actively participating in maintaining the Blockchain by voting to admit Meganodes (Board

Members), and for bad actors, voting to dismiss them from the network as well. Each Cyphernode is also responsible for verifying certain transactions on the network.

Cyphernodes may also receive a payout for maintaining the integrity of the Yetta Blockchain. Due to the "active participation" argument we present in this Whitepaper, we do not consider "expectation of profit" and the "payouts" to Cyphernodes a Security.

Yetta as an Access Rights Utility

The purchase of yetta is also represents a membership purchase and grants purchasers access to download our Wallet and access to all the DAPPS on the Yetta Blockchain.

The DAPP Store will consist on in-house DAPPS as well as DAPPs developed by third parties. All DAPPs in the Yetta DAPP Store will be monetized with yetta. As such, for users intending to utilize the services on our Blockchain, the yetta purchase would be considered a utility.

Yetta as a Security Token

Cryptocurrency Investment Funds, Venture Capitalists, Family Offices, and High Net Worth individuals interested in purchasing Yetta primarily for "store of value" or as a "speculative" currency should participate in our Private Sale. The Private Sale is essentially a Private Placement offering and is only available to accredited investors and qualified institutional investors.

Conclusion

Bitcoin has given birth to the most disruptive and transformative technology any of us has witnessed in our lifetime. Despite volatile fluctuations, the bubble is nowhere in sight. The global social economic implications of Blockchain technology and Cryptocurrency are far reaching and are only in their infancy.

As such, we applaud the innovation both Bitcoin and Ethereum have introduced to the Blockchain and Cryptocurrency industries.

As a next generation technology, Yetta aims to build upon the successes of both Bitcoin and Ethereum and seeks to overcome many of the challenges we have witnessed in scaling both electronic payment systems and smart contracts computing platforms.

Further, As Securities Regulators around the world begin to understand and scrutinize Blockchain and Cryptocurrency offerings, the industry must evolve its technology and offerings to satisfy regulatory challenges.

Our Decentralized Governance Organization (DGO) and Smart Token technology enable the Blockchain and Cryptocurrency industry to propel forward and to grow the investment ecosystem.

Token Economics

1. Terms

1.1. The following terms shall have for the purposes of these General terms and conditions the following meanings.

a. "**Bitcoin**" or **"BTC"** is a public cryptographic value token.

b. **"Digital Assets"** are tokens, available in particular public block chain network, in this ca se Ether and Bitcoin.

c. **“ETH”** or **“Ether”** means virtual currencies spendable on the Ethereum blockchain.

d. **“Ethereum”** means an open-source, public, blockchain-based distributed computing platform featuring smart contract (scripting) functionality.

e. **“YET”** means Yetta Ethereum Token.

f. **“yetta”** or **“ÿ”** means yetta Blockchain Currency.

g. **“Maximum Threshold”** see section 4.11 for its full meaning.

h. **“Minimum Threshold”** see section 4.10 for its full meaning.

i. **“Platform”** see section 2.1 for its full meaning.

j. **“Project”** see section 2 for its full meaning.

k. **“Cyphernodes”** or **“Cyphers”** are considered “Owner Operators” of the Yetta Project and are responsible for validating transactions on the yetta Blockchain.

l. **“Terms”** means these General Terms and Conditions.

m. **“Third-party Wallet”** is a solution, enabling users to store their Digital Assets and YET.

n. **“Total YET Number”** see section 4.2 for its full meaning.

o. **“VAT”** means **Value Added Tax** of the relevant jurisdiction, if applicable.

p. **“Website”** shall mean http://yetta.io and http://yobifund.com unless otherwise specified.

2. The Product

2.1. YET is an ERC-20 standard Ethereum utility token representing membership into t he Yetta decentralized governance organization (DGO).

2.2. YET token purchasers are entitled membership benefits as follows:

a. Access to all the material developments of the yetta project. YET token purchases may receive material information on the Yetta Project in advance of publication to the general public.

b. Access to technical documentation on the development of the yetta Blockchain Consensus algorithm.

c. Voting rights on proposals relating to the governance of yetta.

d. Voting rights on proposals relating to the governance of the yetta DAPP Store.

2.3. The YET token smart contract address published on our Website is the official address for purchasing and activating your membership in the Yetta DGO.

2.4. Your Yetta DGO Membership is activated immediately upon the purchase of YET. Purchasers must supply their ETH wallet at the time of purchase to receive their YET tokens and to access their membership benefits.

2.5. Voting rights are weighed in proportion to the value of YET Tokens obtained at the time of voting relative to the other YET token holders.

2.6. The Platform will be accessible via web and mobile devices and will run on the public Ethereum Blockchain network, ("The Platform").

2.7. The YET membership tokens have no cash value and are not intended to be traded on cryptographic exchanges. YETTA gives no warranties that YET tokens will be exchangeable on any cryptographic exchange.

2.8. Users understand and accept that an upgrade of Platform from Ethereum to yetta may be required in the future, and that, if User decides not to participate in such upgrade, he/she may no longer use their YET Tokens and that non-upgraded YET may lost their functionality in full.

3. YET Token Holder Rights

3.1. The purchase or acceptance of Yetta tokens, YET, entitles the token holder to membership benefits in the Yetta Project and carries rights, privileges, access, and other conveniences specified herein.

3.2. YET holders shall have active participation and influence in the governance of the Yetta Project.

3.3. Any YET token holder, stakeholder, can equally vote on issues offered for consensus voting.

3.4. Membership rights and participation in the Yetta Project does not represent or constitute any legal ownership right or stake, share or security or equivalent rights or any right to receive future revenue shares.

3.5. YET token holders are granted a right of use (license) and access to the Platform. YET token will be an integral part of the Platform and it will be necessary to use and access it. Platform fees will be determined in YET tokens or yetta (ÿ) and consequently, pay for the Platform services in YET tokens will not present exchange risk for the users.

3.6. Yetta reserves its right to introduce a number of additional utility features to YET, for which change of these Terms shall not be required, and may such additional changes be introduced to the users by being published on the Website.

4. YET Token Distribution

4.1. Contributions given to Yetta Project in exchange for Yetta tokens (YET) shall be considered as a membership purchase. Contribution can be done in Digital Assets or Fiat Currency on the Website. Failure to follow the instructions on the Website may limit, delay, or prevent a user from donating. Users understand and accept that they make a contribution into a smart contract system on Ethereum and receive YETs in exchange.

4.2. There will be in total 100,000,000 YET tokens available **("Total YET Number")** for sale and distribution.

4.3. Up to 100% of the Total YET Number shall be distributed to the public in accordance with paragraph 4.6.

4.4. We reserve a right to use an emergency stop functionality which stops the distribution process. Use of this functionality shall remain in the discretion of Yobifund and shall only be used in limited situations, such as, but not limited to: (i) serious security issue detected,

(ii) serious network performance issue, depriving all users of equal treatment, (iii) any type of material attack on the YETs, the Platform, Website or Ethereum network.

4.5. The funds raised from the YET distribution will belong to Yetta and will be used exclusively for the global growth and development of the Project.

4.6. Distribution of YET tokens, defined in paragraph 4.2 shall be conducted as follows:

a. Private Distribution

Yetta shall allocate up to 15%, or 15,000,000, of the Total YET Number for founders, developers, team members, advisors, and strategic partners.

b. Private Sale

Yetta shall sell directly to private investors up to 45%, or 45,000,000, of the Total YET Number.

c. **Public Distribution**

Yetta shall through the Website and its associated Smart Contract offer up to 40% of the Total YET Number, or 40,000,000, in a ("Public Sale") consisting of a 25,000,000 **("Public YET Number")** plus up to 15,000,000 **("Public YET Bonus").** This stage is envisaged to start and end on dates specified on the yetta.io website. Dates are subject to change without notice.

d. **Price and YET token calculation**

The price for a YET token will be determined at the completion of the Public Sale by calculating the greater of (€0,50 or the total contributions raised in the Public Sale divided by the Public YET Number). Each of the contributors will receive a number of YET tokens equal to the amount each contributor paid-in, adjusted by the applicable bonus set out in indent (e) below.

e. **YET tokens bonus incentives**

YET will be offered to contributors with the following Bonus Incentives:

CONTRIBUTION PERIOD	BONUS PERCENTAGE
Presale Week 1	30%
Presale Week 2	30%
Presale Remaining Period	25%
Crowdsale Week 1	20%
Crowdsale Week 2	20%
Crowdsale Remaining Period	15%

4.7. For the purposes of YET token price calculation, all payments by the contributors will be converted to Euro (€). The Conversion rate shall be average conversion rate on the day of contribution, based on average exchange rate of three major currency exchanges.

4.8. Yetta reserves a right to change the dates, set out in paragraph 4.6 at any given time due to any reason, without any duty to provide an explanation to the users or the public. Any such change will be published on the Website.

4.9. All financial contributions will be accepted and processed. There is no **("Minimum Threshold")** that must be reached in order for the public distribution in accordance with paragraph 4.6 to be successful.

4.10. The public distribution of the YET tokens, set out in 4.6(c), is limited to a contribution of € 50.000.000 **("Maximum Threshold")**.

4.11. Public distribution from paragraph 4.6 shall be executed as follows:

a. Users shall send their Digital Assets to the smart contract address,

b. When

   i. the time of the offering, defined in paragraph 4.6, is over and Minimum Threshold has been achieved; or

   ii. Maximum Threshold has been achieved, whichever occurs first, the distribution is stopped and tokens are sent to each participating user's wallet address.

4.12. Users, wishing to participate in the token distribution, will be obliged to provide their Digital Assets for the acquisition of YETs from an Ethereum address wallet, for which they control the private key, whereas such address shall not belong to a Digital Assets exchange. Users will receive their YET Tokens to the same address, from where they sent the Digital Assets.

4.13. All YET purchases shall be publicly accessible via websites like etherscan.io or similar.

4.14. The only official and authorized websites and YET token distribution providers are yetta.io and yobifund.com. Other than Yobifund.com, no third-party website or a different provider has been in any way supported, engaged, authorized or endorsed by Yetta and have no relationship in any way with Yetta. You must ensure that the URL of your web browser indicates that it is using a hypertext transfer protocol secure connection ("https") and that the domain name is correct. Yobifund may partner with any third-party service provider to enable easier acquisition of YETs with digital assets other than Ether but users will receive notifications.

4.15. Safe for the provision of paragraph 4.11, all contributions in exchange for YET tokens are final and nonrefundable. By participating in the YET token distribution, you

acknowledge that you are not entitled to a refund for any reason and that YET tokens have no cash value, and you will not receive money or other compensation in lieu of a refund.

4.16. The YET is not a consumer product and its users accept explicitly and agree to it that they are not covered by the consumer protection regulation of any jurisdiction.

About the Author

Darrell Hubbard brings over 20 years of Technology, Finance and Securities experience to the Blockchain and Cryptocurrency community.

Darrell started his career as a Chief Architect at AT&T Bell Laboratories. At age 23, he became the youngest person in American history to represent the United States of America as an USA Expert in negotiating and establishing distributed computing standards within the International Standards Organization (ISO).

Darrell has led and managed over $160 Million in Information Technology initiatives reporting directly to the Chief Financial Officer's Board at AT&T.

Darrell founded an Information Technology Consulting firm, Vertron Corporation, and was the lead architect and developer on a Know Your Customer (KYC) and Anti-Money Laundering (AML) system for an international money transfer company, Coinstar International.

Darrell has participated and contributed to various USA Securities and Exchange Commission (SEC) Public Review and Comment Periods related to the Jumpstart Our Business Startup Act (JOBS ACT).

Darrell founded Yobi Capital Fund Corporation, Yobifund.com, an equity crowdfunding portal currently focused on raising capital for Blockchain Startups in Presales and ICOs. Yobifund.com is one of a very few companies to receive qualification for the SEC to raise up to $50 Million in a Regulation A+ Offering as a Funding Portal.

Darrell has pending patents in the Securities space. In 2014, he filed a "*System and method for active participation in an investor-managed corporation*" with the United States Patent and Trademark Office. https://www.google.com/patents/US20160012534

Darrell entered college at the age of 16. He received in Bachelors in Computer Information Systems at 18; and a Masters in Computer Science at 19.

Darrell earned his Masters of Business Administration (MBA) from Harvard Business School.

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