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INITIAL COIN OFFERING IN GIBRALTAR - CASE STUDY:
CALIDUMCOIN

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Abstract

Since the creation of the first cryptocurrency Bitcoin in 2008, the advantages of blockchain technology attracts companies from different industries to bring innovative solutions to their customers. Calidumcoin is a cryptocurrency project of the Spanish company Calidum Resorts SL. With Calidumcoin, the company is going to participate in the Initial Coin Offering event in Gibraltar.

This research report covers three goals. The first aim is to define a fundraising strategy for the project. Secondly, it analyzes the position of Calidumcoin in the cryptocurrency market. Thirdly, the paper is aimed at finding potential partners for the project and interviewing them.

The research provides a strategy and recommendations for Calidumcoin, including an analysis of timeshare partners and the effect of the volatility of the token. The study defines a more detailed strategy of Calidumcoin by answering a set of questions and analyzing it with a SWOT analysis.

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Abbreviations

CAGR - Compound Annual Growth Rate

ICO - Initial Coin Offering

IPO - Initial Public Offering

SWOT - Straights, Weaknesses, Opportunity and Threats analysis

TL - Token Launch

VC - Venture Capital

1 INTRODUCTION

1.1 Background

For the last five years such words as cryptocurrency, Ethereum, altcoin and Initial Coin Offering have experienced large popularity among Internet users (Google Search Trends Data 2017). This has happened mostly because of the rise in pre-sale of tokens and extremely high CAGR rate (Crypto voices 2017).

Over last three years, Bitcoin has outperformed traditional investment products. Cryptocurrency enthusiasts invested money at the beginning of Bitcoin's development and received a huge profit after its price went up. Besides this, the spread of information about cryptocurrency in the mass media significantly affected growing capitalization and its investment level. (Dhaliwal 2016.)

Money supplies and currencies in the world are supported by the country's gold reserves and the issue of government bonds. The more reliable the gold reserve and higher the quotes of securities, the stronger the country's currency is. Cryptocurrencies and tokens are criticized because of no physical value backing them up and the fact that they could collapse at any moment. The utility value of the tokens comes from two primary sources: functional and speculative. The functional value derives from token purpose, while speculative comes from trading it on an exchange market. (Autonomous NEXT 2017.) Despite criticism about the lack of physical value, the popularity of cryptocurrency remains largely undiminished and its capitalization is still growing in price.

1.2 The aim of the study

The main aim of this study is a token integration research for a new cryptocurrency Calidumcoin based in Gibraltar, United Kingdom. To analyze the external and internal environment of Calidumcoin, this study will utilize a SWOT analysis as a tool. In addition, the author aims to find out about timeshare and ICO platforms, which suit the purposes of the project.

The information gained from research will benefit Calidumcoin, since results of comparing different fundraising methods could be used in this and future projects. The results from the practical part will be useful in its White paper and future marketing materials.

The theoretical part of the research is aimed at fundraising strategy creation for Calidumcoin. Research introduces an Initial Coin Offering- a new way of fundraising in which Calidumcoin will participate. A token pre-sale or ICO is an event that uses cryptographic tokens, where part of its token pool is exchanged for money, typically Bitcoin, to a community of developers and early adopters (Lundy, Burke & Ammers 3). As was requested from the commissioning company, ICO is compared with alternative methods of fundraising. What is more, methods such as Initial Public Offering, Token Launch, Investment fund and Crowdfunding were taken into consideration.

The research questions can be summarized as follows:

- 1) What is the current situation of cryptocurrency and Initial Coin Offering as a method of capital raising?
- 2) Which fundraising strategy should be used?
- 3) How competitive is Calidumcoin for ICO according to a set of critical questions and a SWOT analysis?
- 4) Which Timeshare platforms will suit the purposes of the project?

1.3 Methodology

The research is mainly qualitative and empirical. Several data collection methods, such as secondary and primary data, are applied. Primary data is new information collected by the researcher, while secondary data has been gathered for other purposes (Lombard 2010). Primary data about timeshare companies, contacts and information for partnership with Calidumcoin was collected through phone interviews.

Potential partners were found through Google's search engine and interviewed by phone. The project overview was made with the help of the interview director of Calidum Resorts SL. As secondary sources, news, articles, interviews and reports about cryptocurrencies

play a significant role in the research. For this purpose, electronic media platforms such as Cointelegraph, Bitcoin.com, Medium and Coindesk were used.

The theoretical part of the study utilizes books which are highly recommended by cryptocurrency society. Firstly, technical orientated book *Mastering Bitcoin, 2nd Edition* by Andreas M. Antonopoulos (2017) defines business usage and the main definitions of Bitcoin written in non-technical language. The advantage of this book is that it was published in 2017 and has the most recent information.

Secondly is, *Blockchain Blueprint for a New Economy*, a book written by Melanie Swan in 2015. Swan is an academic researcher, financier and entrepreneur. She is the founder of several start-ups including the Institute for Blockchain Studies, DIY genomics, Group-Purchase, and the MS Futures Group (Swan 2017). In addition, the research uses the White papers of the most successful ICO events in order to understand what attracts the crypto-community to invest in tokens.

Besides this, the research uses a list of questions to evaluate Calidumcoin's token utility (Medium 2017). The questions are designed by William Mongayar, a blockchain theorist and strategist, who co-wrote the book *The Business Blockchain* (Mongayar & Buterin 2016). Calidumcoin is asked to answer this set of questions by potential investors.

1.4 Outline

The thesis is structured from the general to specific. It moves from the general history of transactions to an evaluation of Calidumcoin and on to different analyses.

The research concentrates on practical applications of the cryptocurrency in the vacation exchange market. The structure of the thesis is divided into four main parts. Firstly, the study explores the concept of cryptocurrency and the main theoretical terms of the thesis. Moreover, government regulations worldwide and the role of blockchain technology is described here. Secondly, a new financial and technological phenomenon - Initial Coin Offering (ICO) and its legal status is compared to alternative fundraising methods. Thirdly, the study describes the case of Calidumcoin, where its business idea and model are defined with the help of a SWOT analysis.

Pre-ICO analysis part explains the results of negotiations with timeshare companies, analyzes the project by list of questions designed by William Mongayar and explains the Bitcoin volatility effect for Calidumcoin. At the end of the study, there are recommendations for the Calicumcoin project and the the summary of main findings.

All the numbers in the thesis are shown in the euro currency, since the company is located in Spain, European Union. The exchange rate is 1 USD =0.836 EUR, taken on 22 September, 2017.

1.5 Case study Calidumcoin

Calidum Resorts SL is a consulting company, which was established in 2015. This private company is located in Spain and divided into three parts: Calidum Classics, Calidum Resorts and Immucura Med. Calidum Resorts and Calidum Classics deals with real estate consulting and investment. It works with clients from Northern Europe, Russia, the Middle East and China. (Schumacher 2017.) Immucura Med provides Dendritic Therapy for patients all over the world (Immucura 2017).

Johannes Schumacher - leader of technologic start-up and director of Calidum Resorts SL came up with the idea of creating Calidumcoin in the beginning of 2017. Despite the fact that company is located in Spain, the project will be held in Gibraltar due to the close business connections and friendly ICO-regulation. (Schumacher 2017). The business idea is to create a token with a physical value behind it. This token will give a life-time right to live in the hotels around the world. The long-term mission of Calidumcoin is to become a currency with which to book hotels worldwide.

2 CRYPTOCURRENCY

This chapter provides the main definitions about the cryptocurrency market and discusses the history of money exchange from banknotes to cryptocurrencies.

2.1 Definitions

In this section the main definitions of cryptocurrency are described. The definitions provide the reader with a summary of the principal concepts in order to clarify the subject of the research.

Cryptocurrency is a digital currency that helps to conduct online transactions directly without financial institutions and intermediaries. Cryptocurrency is a revolutionary network of a digital money. The unit of any cryptocurrency is a coin (or token), which is protected by an encrypted code that cannot be copied. Nowadays, there are more than 800 cryptocurrencies. The total capitalization of them exceeded approximately 137.3 billion euro by the end of August 2017 and may exceed 170 billion euro. (Iyer 2017.)

A **transaction** is a signed data structure expressing a transfer of value. Transactions are transferred over the bitcoin network, collected by miners, and included in the blocks on the blockchain (Antonopoulos 2017).

Decentralization means that there is no control over transactions; payments and all transactions are anonymous. Firstly, most of cryptocurrencies are decentralized, while cash and non-cash money are managed by people, organizations or governments. Secondly, anyone can view the history and track of all transactions since the start of Bitcoin mining. These operations are never deleted from the database. Therefore, anyone can check all the transactions during cryptocurrency existence, knowing only the address of the Bitcoin wallet. (Satoshi Nakamoto 2008, 1.)

A **blockchain** is a distributed ledger or a public way of storing data (transactions or contracts) that have ever been committed in the system with a personal digital signature that

cannot be copied. "Blockchain helps to guarantee the validity of a transaction by recording it not only on a main register but a connected distributed system of registers, all of which are connected through a secure validation mechanism" (Khan 2017).

Bitcoin is the first and the main decentralized cryptocurrency, which was introduced in 2008. This cryptocurrency is a quantity limited digital cash without commission and management based on blockchain. "Bitcoin has the same character as a fax machine had. A single fax machine is a doorstop. The world where everyone has a fax machine is an immensely valuable thing." (Summer 2016.)

Digital tokens and coins are internal payment units, which have the owners of any cryptocurrency instead of money or shares. Tokens exchange using technologies and are stored in a personal wallet with a private key (Antonopoulos 2017). For some types of cryptocurrencies, the sale of tokens is one of the main type of monetization and the only way to get revenue for service provision.

Cryptocurrency exchanges are websites, where cryptocurrency owners exchange their coins by other cryptocurrencies or to major world currencies such as the dollar, the euro, etc. (Cryptonator 2017.)

Miners are blockchain bookkeepers who are mining cryptocurrencies by solving mathematical problems (Investopedia 2017).

White paper is a marketing tool which describes the vision, features and key figures of a project (Mougayar 2014). For instance, the dates of the beginning and the end of an ICO, how much money is needed to run it and what will be estimated as an investor's perk.

A smart contract is a piece of code which allows exchanging money, property, shares or other assets without resorting to the services of a middle organization. Smart contracts not only contain information about the subject, terms and obligations such as traditional agreements. (Medium 2017.) Additionally, they automatically ensure the fulfillment of all the terms of the contract.

2.2 Financial transactions. From banknotes to cryptocurrency.

People have traded and exchanged goods long before money existed. Banks and rulers began to buy the currencies of other countries and created the first foreign exchange market. (Beattie 2015). The stability of a government started to influence the value of the currency and the access of that country to trade in an expanding market (Soulcare Finance 2016).

The system for exchanging currencies and assets was founded in the eleventh century, but became popular in the Renaissance period (Hibbert 1974). The first bank system was created by The House of Medici in the Republic of Florence and specialized in providing loans (Vigna & Casey 2015).

Medici Bank was a lending institution in 15th-century in Europe. The creation of banks stimulated a sharp increase in the volume of international commerce. Bankers of that time were technological leaders, who identified the need for society and managed to satisfy it internationally. (The Medici family 2017.) However, banks have acquired enormous power in the state because of this centralized system of trust.

The bank was also in trade. It credited foreign traders in exchange for lower prices of goods or services. This was also one way to ban the church from charging an interest. (The Economist 1999.) Term deposits were one of the main income areas. They exceeded the invested capital several times. Direct charge interest was banned; however interest payments were included in the bills. After that foreign currency was purchased. (The Medici family 2017.)

Since that time strangers could not conduct business with each other without the intermediation of banks. The connected economies of the world's countries become increasingly dependent on their services. (Casey 2016.) Nowadays, people use technologies to transfer money. Exchanges could be made by computers, smart-phones and other devices. (Beattie 2015.)

As can be seen in Figure 1, transaction structure has transformed into a hybrid, where the trust bearer is divided between the Central Bank and Commercial Banks. The token for money is distributed among fiat and digital money. According to many economists, the

future of financial transactions is a distributed public ledger issued by digital currency algorithms. The main feature of this decentralized system is that it does not correspond to the central authorities or banks. (Casey 2016.)

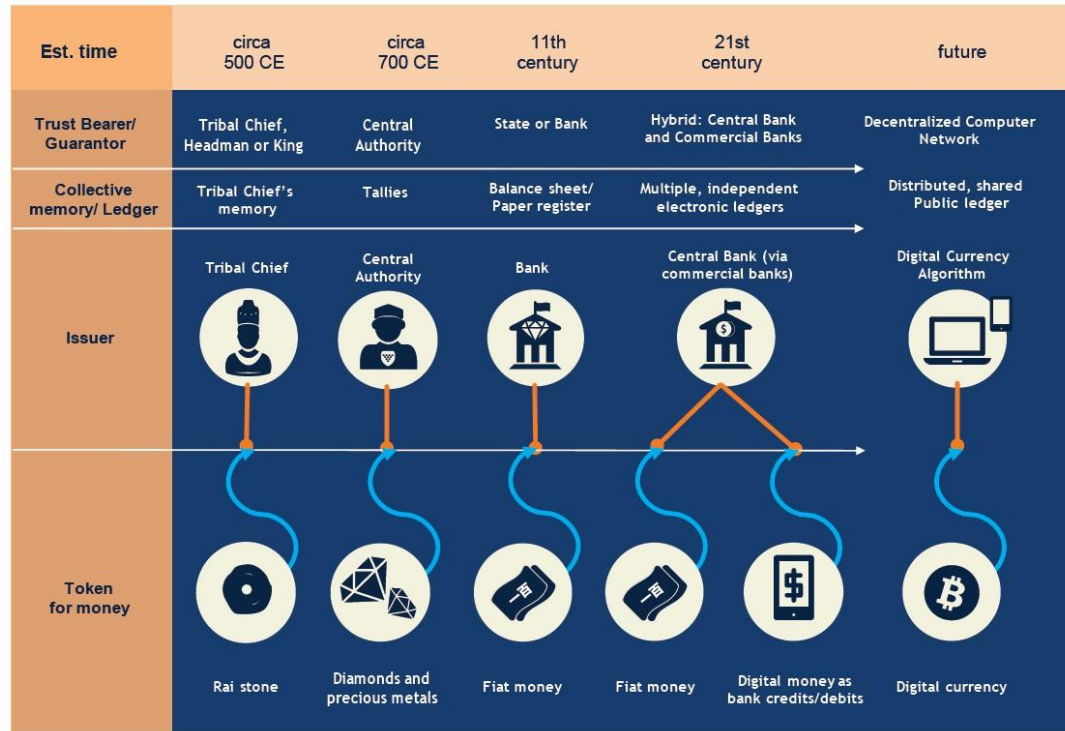


Figure 1. Financial transactions: trust bearing, issuer and token for money throughout the history (Source: Reyas 2017).

Blockchain is considered as the main technological innovation of modern money, since it is a reliable proof of all transactions in a network (Swan 2015, 11-12). A crypto-society offers a system of transactions where the recipient no longer needs to trust a "third party" (institutions such as bank or government). The community of cryptocurrencies trust in a blockchain, since it is distributed all over the globe and supported by miners.

2.3 Role of cryptocurrencies in the economy and business

The first decentralized cryptocurrency, Bitcoin, was introduced in the publication of White paper in 2008. This article was written by an anonymous person or group of people Satoshi Nakamoto. In the White paper, Satoshi Nakamoto introduced the main advantages of the best-known blockchain currency Bitcoin. (Satoshi Nakamoto 2008.)

Since then, companies from different industries use blockchain to bring innovative solutions to their customers. For instance, such start-up companies as Transactive Grid and Solar Bankers began to use blockchain for the efficient distribution of electricity. The system enabled people to generate electricity and trade directly with their neighbors. Besides this, the technology also helps to protect the environment by reducing waste and promoting sustainable energy methods. (Blockchain Contributor 2017.)

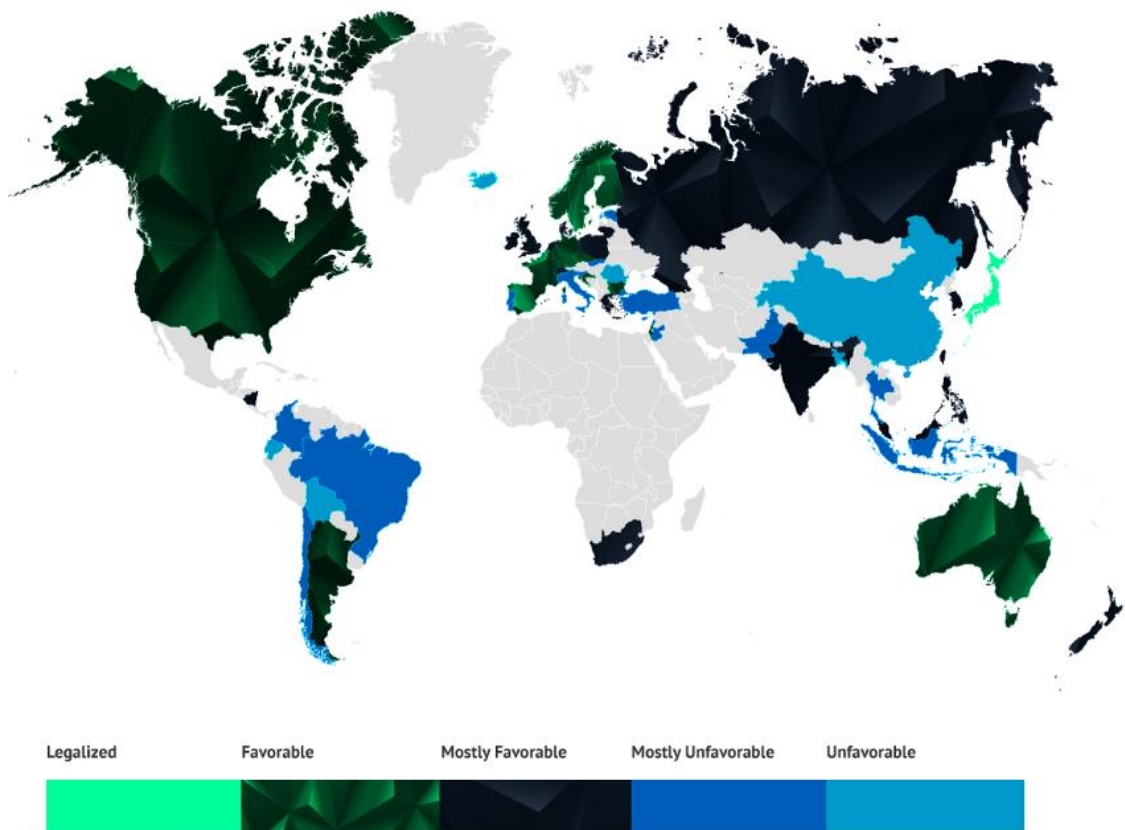
It is believed that blockchain technology can reinvent financial markets and services, payments and economics. In the same way the technology can change all areas of human activity. (Swan 2015, 27-28.) Nowadays, cryptocurrency transactions are carried out not only on online exchanges and websites, but also in many offline companies. They are accepted as a payment method in many restaurants, hotels, and shops worldwide. For example, in the United States there are cases of paying salaries in Bitcoin, and in general more companies are paying employees in Bitcoin (Bradbury 2014).

2.4 Governments and cryptocurrencies

As the cryptocurrency spreads around the world and its capitalization increases, governments started to think about the regulation of this technology. States have different attitudes and plans related to blockchain's legal status.

Cryptocurrency regulations were analyzed by sixty states worldwide. Results showed that 63% percent of the studied countries are favorable or mostly favorable areas for regulations. (Vasin 2017.) Despite this, there are still countries such as China, Bolivia and Ecuador, which have negative attitudes toward cryptocurrencies.

Picture 1 shows that the United States, Japan and Canada are favorable areas for cryptocurrency regulations. Trends are also positive among the majority of European countries, including Spain and the United Kingdom. These countries have an understanding that blockchain has a chance to become a significant part of the world economy. (Vasin 2017.) For instance, Japan released a text about the legalization of Bitcoin in April 2017. The cryptocurrency is considered to have asset-like values exchanged for other items. (Coleman 2017.)



Picture 1. Cross-country legalization of cryptocurrencies (Source: Blackmoon Financial Group 2017).

An analysis of the cryptocurrency regulation showed that the developed economies have more favorable regulations. This is related to the demand of the population for cryptocurrencies. According to expert opinions, most developed countries will introduce cryptocurrency legislation in the near future. (Vasin 2017.)

3 PUBLIC FUNDRAISING METHODS

Each company needs financial resources for the successful implementation of its projects. This chapter describes an Initial Coin Offering and four alternative methods to attract investments for Calidumcoin.

3.1 Initial Coin Offering (ICO) and it's regulation

This part explains the concept of Initial Coin Offering and why governments want to regulate it.

3.1.1 Initial Coin Offering

Initial Coin Offering (ICO) derives from the traditional capital fundraising term Initial Public Offering (IPO). ICO is committed to selling coins as a way of financing specific projects at a lower price. (Friedman 2017.) The general idea is that if investors consider a project successful, they afterwards exchange assets with the project's tokens. When a crypto-company is going to launch a project through ICO, it creates and publishes a White paper.

There are significant differences between ICO and IPO. First of all, after ICO investors receive a new cryptocurrency, which they can exchange for traditional currencies. While after IPO participants receive company shares. Secondly, the process of preparation and participation in the ICO is much faster, because it does not require involvement of lawyers, auditors and bankers. Thirdly, ICO has an easier regulation system than IPO. (Daniel 2017.)

The best example of a highly lucrative ICO was the Ethereum. The project was announced in 2014. An Initial coin offering of Ethereum was held for 42 days from July to September (Buterin 2014). A token value increased from €0.33 to €11.7 per Ether with a market capitalization of over 1 billion euro (Investopedia 2017). Since then, dra-

matic growth has been seen with this cryptocurrency, and investors could earn impressive profits. For instance, if a person bought 84 euro worth of Ethereum tokens at that time, today it is equivalent to 63,000 euro. (Beigel 2017.)

The value of the token is determined by the organizers of ICO. It is justified by the value of the network at the moment. After that, the cost is set by the network of the ICO participants through the dynamics of price change. Dynamics is determined by market demand and supply. The biggest risk for investors is the strong volatility of the cryptocurrency. (Kastelein 2017.)

Cryptocurrency is created on the basis of one of the protocols. They can be based on the different technologies such as Counterparty (Bitcoin based), Ethereum (smart-contracts based) or Openledger (independent ecosystem). (Kastelein 2017.)

3.1.2 ICO regulation

Initial Coin Offering requires fewer documents than any other public fundraising method. At the moment it does not fall under strict law regulations in most countries. This happens because of the decentralized approach and the different business strategies of the projects. However, states have begun to look for a definition and introduce adjustments to the Initial Coin Offering. (Maina 2017.) For example, the US Securities and Exchange Commission (SEC) regulations announced that funds raised using ICO should be registered as a securities issuance (US SEC 2017).

Governments do not want ICO to create chaos in a country's economy (Buhr 2017). During ICO development, many projects turned out to be fraudulent or attempts at money laundering. Besides this, there are many risks for potential investors, such as scam or just an unsuccessful project. Secondly, sometimes investors buy tokens from start-ups with poorly developed or unready business models. In most cases, there is no guarantee that these projects will be completed successfully. (Kontegna 2017.)

3.2 Alternative fundraising methods

This section describes alternative fundraising methods for Calidumcoin and its main features. These methods could be used instead or in combination with Initial Coin Offering.

3.2.1 Initial Public Offering

Initial Public Offering is one way to attract financing for a business or a project. Here, investors buy shares of a company on an open market. This is also called “going public”. (Hayes 2017.) Frequently ICO is compared to IPO because of the similar goals of an issuing company and investors.

The main purpose of an IPO for investors is to obtain the profit from the difference between the capital actually invested and the final price of the shares. Usually IPOs take place in participation with investment banks. Investment banks make money by selling on the open market shares on the stock markets that were previously bought from the company at a discounted price. (Koba 2013.)

When choosing a company for its financial investments, an investor aims at maximizing profits with minimal risk. In this regard, the investor is interested in prospects and potential for the company's development, its strategic goals, market and internal risks.

When going public, a company has to prepare audited financial statements and present a lengthy document called a prospectus describing its business (Wasserman 2017). Additionally, the participant company in IPO falls under the US Securities and Exchange Commission (SEC) regulations (US SEC 2014). This means it will have to follow the disclosure rules and transactions of insiders or the officers and directors of the company. Moreover, it will have to hold shareholder meetings. (Koba 2013.)

3.2.2 Venture Capital

Venture capital refers to the money of investors who are financing new and expanding companies, pioneering projects and start-ups. Characteristic features of investments in the

sphere of young and innovative businesses are high risk, long-term use of capital and profitability, exceeding the average indicators for the stock market. Venture capital is a type of funding for a new or growing business. (Business dictionary 2017.)

Since the rising popularity of ICOs, the Venture Capital industry began to consider them as a profitable investment method. According to Coin Desk data, blockchain start-ups have raised just under €1.5 billion through traditional venture capital firms (Tian 2017).

The research is considering China, which banned ICO as an example in order to understand why some of the countries are against of cryptocurrency industry and ICO particularly. China blocked ICO in the beginning of September mainly, because of anonymous distribution of coins and tokens all over the world. Additionally, China is in precarious position, because it is epicenter for ICO mania. (Hackett 2017.)

There are several reasons for the growing interest of venture investors. First is the growing profitability of the cryptocurrency market. An example is the start-up cryptocurrency Monero, which monetization went from €3.9 million from the January 2016 to a high of nearly €140 million by December 2016. The second reason for the growing interest of venture investors in the ICO is the liquidity of the cryptocurrencies. ICO investors can make profits faster and easier to withdraw. To do this, they need to exchange their profit for bitcoins or ethers on any exchange platform, and after it will be easily converted into fiat currencies. (Kastelein 2017.)

3.2.3 Crowdfunding

Usually, if a company needs to raise capital in order to start a business or launch a new product, it is necessary to conduct market research and make a business plan. Sometimes it also essential to make a prototype or a test version of a product or service. After that, the enterprise sells an idea to a limited pool, wealthy people or institutions. Crowdfunding is the opposite of the basic approach to business financing. (Funduble 2017.)

Crowdfunding is a financing method, where sponsors invest money and get something in return (Investopedia 2017). It can be a product, service or innovative technology. The investor takes an active participation in the project that he or she is interested in, invests funds and gets benefits.

Market value is a significant difference between traditional crowdfunding and ICO. When a product is introduced on crowdfunding platforms, buyers are aware of what exactly they have to expect after product or services is ready to enter the market. (Young 2016.) For example, when people were investing money in Seed, a smart vacuum bottle, they could see the final product they would get after the closing of fundraising (Indiegogo 2016).

3.2.4 Token Launch

Token Launch is a very similar event to ICO, because it also deals with the public selling of tokens. However, it is based on Ethereum protocol and has a less popularity than ICO. Ether cryptocurrency is a successful project of Vitalik Buterin, which has 7,242,101 BTC of market capitalization as of 25.09.2017. (Coin Market Cap 2017.)

Ether tokens are created by the Smart Contract System (SCS). They are very programmable and multifunctional. Due to these functions they become much more than "coins". Technically they are not "offered", but "generated". The better way to describe the launch of the Ethereum token is as a "token generation event". (LeBeau 2017.)

Ethereum smart contracts allow any start-up cryptocurrency to write decentralized applications. Start-ups can create their own rules for ownership, transaction formats and state transition functions. (Github 2015.)

3.3 Concluding remarks

It is necessary to take into account that during an ICO event the technical characteristics of the project and internal preparation play a significant role. ICO and cryptocurrency enthusiasts, who are the target group of a Calidumcoin, examine the technical parts of a

project carefully before investment. After that, they usually discuss the advantages and disadvantages of the project in the ICO blogs and platforms (Appendix 6).

If Calidumcoin will attract enough in investments or will start cooperation with a hotel chain, it is possible to combine capital collection methods. For instance, a project can start from organization of crowdfunding event. It can give time in a hotel or future tokens in return for an early adopter's investment. The target group of the project will depend on the location of the hotels. After participation in crowdfunding event it would be easier to conduct an ICO, because organizers will get feedback and necessary experience.

4 CALIDUMCOIN

This chapter describes the business idea and model of Calidumcoin with the help of interviewing project director Johannes Schumacher (2017). Also, it examines Calidumcoin through a SWOT analysis.

4.1 Business idea

Calidum Resorts SL is planning to issue Calidumcoin in the last quarter of 2017 in one of the ICO platforms. Offering a physical value, Calidumcoin is a pioneer in the market of blockchain industries. The value of the tokens is a lifetime right to live at least one week in any hotel around the world. As long as a Calidumcoin owner has tokens on an account, he or she will have this perk. By buying a token at the reduced price during an ICO event, the owner of the token will receive dividends by speculating the token, holding it or spending a token for accommodation all around the world. Calidumcoin is one of two cryptocurrencies, which Calidum Resorts SL is going to establish. In case of successful ICO, Immucura Med will issue Immucoin, which gives lifelong insurance for cancer treatment by dendritic cell therapy. (Schumacher 2017.)

Calidumcoin will participate in ICO in Gibraltar. This place was chosen because of the investor-friendly regulations and experts concentrated in the area. Throughout 2017, the Government of Gibraltar has been taking steps to create an ecosystem for the development of a cryptocurrency legal framework. In May 2017, the Gibraltar authorities set up a special working group that published the Proposals for a DLT Regulatory Framework for distributed registry technology (Ministry for Commerce Gibraltar Finance 2017). In the beginning of August, the Stock Exchange (GSE) has informed that the authority plans to 'fully integrate' Blockchain into its trading and settlement systems (Atozforex 2017). In January 2018, The Gibraltar Financial Services Commission intends to include the ICO rules in the new legislation for blocking technology, which is expected to enter into force (Haig 2017).

4.2 Business model

A business model describes the rationale for how an organization creates, delivers and captures value (Osterwalder 2017, 3). Due to close business relations with Gibraltar, Calidum Resorts SL is able to execute an ICO at a total cost below 100,000 euro, which is less than half of the usual fees. The fee includes programming the coin, company formation in Gibraltar, legal regulation, marketing, social media and performing the ICO on a leading platform. (Schumacher 2017.)

Calidumcoin have to use two methods of collecting money for the ICO event in order to pay fixed and variable costs. First of all, a closed pre-ICO event or alternative fundraising method should be organized. For investors, this is the most risky stage. Therefore, Calidumcoin has to make an effort to persuade them. It is necessary to create a website and well-designed presentation. Moreover, developed communication skills of the organizers play a significant role in this event (Mulders 2017).

Regarding the pre-sale of tokens, Calidumcoin invites a limited number of investors to join the opportunity of buying tokens at a reduced price. Calidum will sell 80 out of 1,000 to 2,000 coins before an ICO. As the pre-offering coins are amongst the first 80 coins sold, the sale for the initial offering price can be guaranteed. The planned price of the token after an ICO is 10,000 euro. (Schumacher 2017.) The amount of cryptocurrency will be collected in bitcoin or ether. The cryptocurrency depends on which fundraising strategy the project will use.

The second method is non-material motivation with a small salary for employees. Such motivation could be a new market, future knowledge and an international project. The important condition here is the big bonus on the basis of ICO.

4.3 Project overview

A SWOT analysis helps to make an overview of the project. Table 1 displays the internal and external factors of Calidumcoin.

Table 1. SWOT analysis of Calidumcoin.

INTERNAL FACTORS	
STRENGTHS (+)	WEAKNESSES (-)
<ul style="list-style-type: none"> • Innovative business model • Huge experience in Real estate consulting • Business contacts in Gibraltar and around Europe • Potential investors • Cryptocurrency friendly regulations in Gibraltar 	<ul style="list-style-type: none"> • Lack of experience • No fund at the moment • Calidum does not own a hotel chain • No permanent team • Business model is connected with timeshare
EXTERNAL FACTORS	
OPPORTUNITIES (+)	THREATS (-)
<ul style="list-style-type: none"> • Establishing a Calidumcoin as a currency to book hotels worldwide • Developing token as a security deposit • Cooperation or investment in the hotel chain • Immucoin 	<ul style="list-style-type: none"> • Stronger competitors • Complicated regulations • Unsuccessful ICO • The prohibition of cryptocurrencies • Volatility

Strengths

The Calidum Resorts SL management team has more than ten years of experience in real estate consulting, business negotiations and investment spheres. Calidumcoin has an innovative business model, which could be interesting for real estate investors. Additionally, the director of the project Johannes Schumacher has close business contacts in Gibraltar and around Europe. With the acquisition of key investors interested in the development of the currency, the database of contacts will increase. At the moment, the project already has potential investors in Spain and the USA.

The reputation of cryptocurrency from Gibraltar, where Calidumcoin will be based, is very positive. This is due to the fact that all businesses in Gibraltar are carefully checked by the government (Schumacher 2017). Gibraltar ICO regulations will be published in the beginning of 2018 (Ministry for Commerce Gibraltar Finance 2017). They will give investors additional guarantees that Calidumcoin is not a scam.

Weaknesses

For a start, the project has a lack of capital. Therefore, it is necessary to organize a pre-ICO or alternative fundraising event. Besides this, organizers have to build a strong and trained team, since they do not have enough experience in the cryptocurrency business. For freelance team members Calidumcoin can use such platforms as Trello, Slack and

Google Hangouts. These platforms will help to establish a distance team for the project before and after ICO event.

Another issue is that Calidum Resorts SL does not own any hotels and should find out partners for cooperation. The project must carefully chose partners, since the business model is connected with the timeshare industry, which has a bad reputation in the mass media (Schreier 2011).

Opportunities

Calidumcoin takes an advantage the increasing popularity of cryptocurrency and establishes a project to international investors through ICO. The main opportunity is that Calidumcoin will became a currency to book hotels with worldwide, and this will change the hotel exchange system. Additionally, the achievement of the main goals of Calidumcoin makes an opportunity to conduct ICO for planned token of Immucura Med more realistic and simple. (Schumacher 2017.)

Threats

At the moment cryptocurrency capitalization is growing; however, any negative event in the cryptocurrency market could affect the price and increase volatility of Calidumcoin. This could include, for example, the prohibition of cryptocurrencies in Europe, the UK and other countries. Further, Calidumcoin could lose all funds raised because of a lack of acceptance during the ICO event.

In January 2018, after Gibraltar's introduction of ICO regulations, a start-up may face the threat of too complicated laws as well as an increase in the price of an event. Moreover, stronger competitors with a similar business model can emerge in the industry.

5 PRE-ICO ANALYSIS

This chapter analyzes Initial Coin Offering event of Calidumcoin through set of questions designed by William Mongayar. By the request of the commissioning company, the study selects potential timeshare partners and presents the results of a phone conversation with representatives of the companies. Besides, it estimates the level of volatility of Bitcoin, which could affect Calidumcoin.

5.1 Analysis of the token utility

Calidumcoin is analyzed by list of questions designed by William Mongayar (Appendix 1). This questionnaire plays an important role since it helps to assess a token utility and develop a business model. With the help of the questionnaire, research found the weaknesses of Calidumcoin. With the growing amount of points investors interest in tokens is raising at the stage of pre-ICO and in the future ICO. For every question research gives one point for a positive result. For negative answers the author looked for solutions to turn them into positives.

The findings support the prediction that Calidumcoin has a high utility level. First of all, after an ICO event, Calidumcoin is going to set up a community, where all co-owners can participate, give feedback and help to improve the network. As long as they own a coin they could be a part of the community. (Schumacher 2017.)

The cost of the token at the pre-ICO and ICO stage will be lower than the cost of a lifetime right to stop at hotels around the world. If the owner of the token will participate actively in the platform work, he or she will receive a token remuneration. The owner receives dividends at any stage of the project, depending on the involvement level in the project (Schumacher 2017). Concerning a technical part of the business model, after the fulfillment of all conditions of a smart-contract, dividends and other benefits are distributed autonomously.

The results showed that Calidumcoin has a positive answer to 18 of the 20 questions. Two of the questions were revised. The question “Does the token grant a governance action,

like voting on a consensus related or other decision-making factor?” received a negative answer, because the business model of Calidumcoin does not provide voting within the system or any governance actions of the owners. Despite this, Calidumcoin can integrate the voting system based on blockchain and a discussion of changes in the system in the blog part of community.

Considering the question “Is selling something part of the business model?” , there are two groups of investors: active miners and long-term aimed participants. Active investors could sell indirectly when giving reviews of the places they are visiting, since it will be a part of hotels’ marketing campaigns. The Calidumcoin token is a principal payment unit, which works as an internal currency and exchanges to other cryptocurrencies. For the long-term investors, who are speculative on the token price, compulsory selling can be a repelling factor in decision-making about investing in Calidumcoin. Therefore, it is necessary to give to investors the possibility to choose to mine tokens or to profit from price volatility and dividends for holding the token.

5.2 Timeshare partners analysis

In case of a successful ICO event, Calidumcoin is going to cooperate with one vacation exchange companies. In order to find an optimal solution, the author was asked by a commissioning company to look for various platforms (Appendices 2 & 3), to find a contact person and answers to the following questions:

- On which system is a platform based on: weeks or points?
- How to cooperate as a hotel?
- How to buy weekly stays as a commercial partner?

Moreover, Calidum Resorts SL is interested in information about a conventional rate for buying points as a hotel (not individual). At the moment, company does not have its own Resorts clubs. However, it is located in Costa del Sol, Spain and has access to the best commercial properties in this area.

After interviewing the companies by phone, the author found out seven Resort Exchange platforms, which suit the selection criteria. Most of them operate internationally and worldwide. Out of seven timeshare platforms, two are points-based and have the possibility to sell points for commercial partners. The research supplies a package of documents for Calidumcoin cooperation with vacation exchange partner. Appendix 2 shows the most suitable timeshare companies for partnership, which was found by Web Search Engine. Appendix 3 gives information about the contact people for timeshare and collaboration status for the moment.

At the moment, there are two options are most suitable for cooperation. First is the Expectations Holidays Company, which provides RCI Points for individuals and commercial partners. RCI Points is the largest points-based vacation exchange program in the world (RCI 2017). By buying RCI Points, Calidumcoin could exchange it for weekly stays in different hotels worldwide. In order to buy points, Calidumcoin is asked to send additional information about hotels such as each resort location, quality and facilities. Moreover, Calidum Resorts SL has to confirm the number of rooms in each hotel, sizes and capacities (Butler & Watson 2017).

The second suitable option is the Dial an Exchange Europe Ltd (DAE), which is based on week system and does not sell points. This means that members deposit weeks of their accommodation into the "bank" and get a "credit" valid for three years in return (DAE 2017). However, it is open for cooperation and could work as "Plan B" in the future. DAE Europe Ltd also asked Calidum Resorts SL to share all possible information about future resorts. Appendices 4 and 5 provide a Dial an Exchange agreement and an information form, which have to be filled in case of continuing partnership with this platform. Moreover, Dial An Exchange Terms and Conditions was forwarded to the commission company.

5.3 Cryptocurrency volatility

Volatility means that an asset is risky to hold on any given day; its value may go up or down substantially. The more volatile an asset, the more people want to limit volatility exposure to it by simply not holding it. (Buy Bitcoin Worldwide 2017).

Despite the fact that volatility makes cryptocurrency a more risky investment, it is also an opportunity for speculative investors and traders to earn on the difference of the price. (Kastelein 2017.) Investors and traders on the cryptocurrency market always have a choice what to do after a token`s price increase. There are two options: to fix profit and exchange coins into fiat money or to wait until the price will continue to grow (or fall).

The business idea of Calidumcoin suggests that it will not so much depend on the exchange rate dynamics of the other cryptocurrencies. On the other hand, the initial price of Calidumcoin depends on Bitcoin or Ether volatility. Moreover, its part will be exchanged to other currencies by traders, which could affect the price as well.

According to Figure 2, the volatility of the exchange rate of Bitcoin has significantly decreased since 2010 relative to the major world currencies. And most importantly, volatility declines systematically from year to year on average by 25%.

In early 2011, the average daily volatility was around 8.5%. By the end of the year it had fallen to 5.3%. At the end of 2012, the average daily volatility fell to 1.5%, showing a decrease compared to the same indicator in 2011. Today it does not exceed more than 5.8% (30 days period by 23.09.2017).

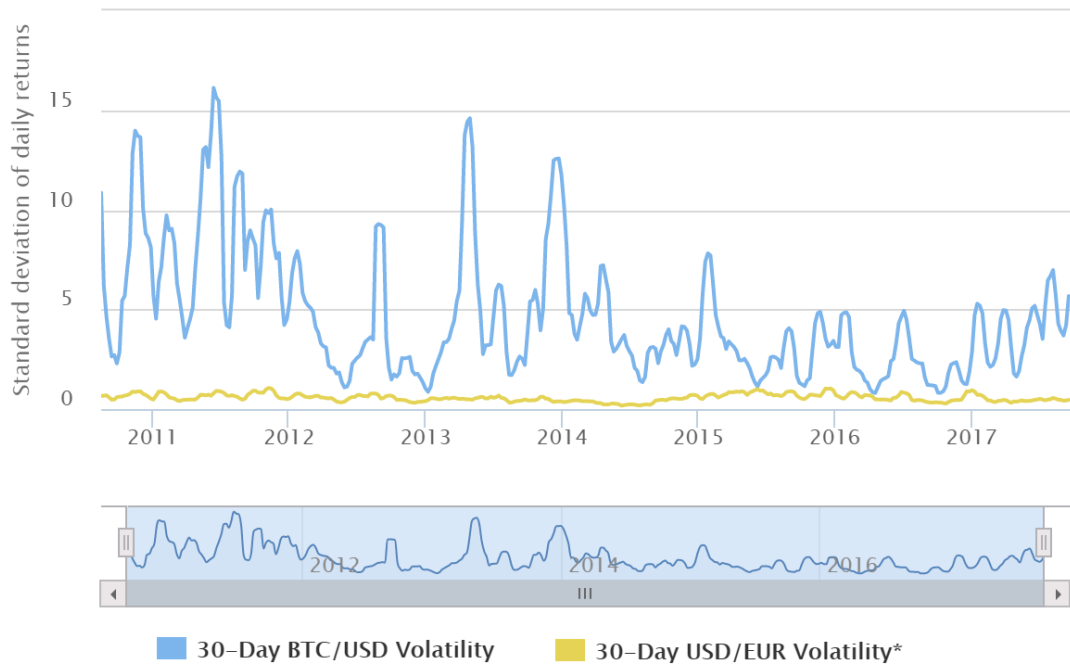


Figure 2. Bitcoin/USD and USD/ EUR Violtility (Source: High Charts 2017).

Figure 3 shows that the greater the price of bitcoin, the less its volatility. If cryptocurrency volatility goes down, the cost of converting into and out of Bitcoin will fall as well (Buy Bitcoin Worldwide 2017). In order to solve the problem of volatility Calidumcoin could provide an investor with different benefits for holding coins. This could include e.g. dividends, which a token-owner could use for paying an accommodation.

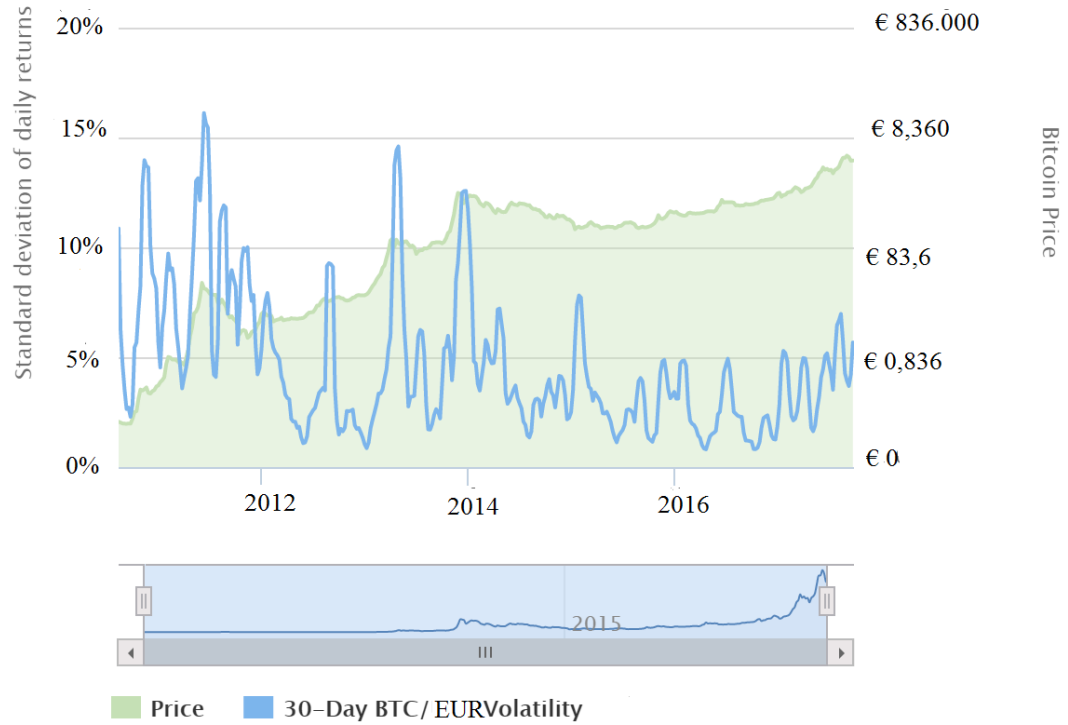


Figure 3. Bitcoin/USD Price and Volatility (Source: High Charts 2017).

6 RECOMMENDATIONS

This chapter gives further recommendations for Calidumcoin's participation in the Initial Coin Offering. In order to receive all the necessary information and continue negotiations with one timeshare platform, Calidumcoin should start cooperation with a Resort club or hotel chain. Fortunately, it is easier for a company since it is located in the tourist area of Costa del Sol and deals with real estate consulting. Another way of looking at this question is to invest in the hotel and start promoting Calidumcoin without intermediaries. However, it is still necessary to search for additional investments for these purposes.

The results of public fundraising research suggests several strategies. First of all, Calidumcoin has to continue pre-ICO planning and developing the internal infrastructure of the project (team, website and White paper creation) in case of a lack in capital. Secondly, the project could consider Token Launch as an alternative to Counterparty protocol. Even if TL is not as popular among cryptocurrency enthusiasts as ICO, this method of fundraising is a good alternative to attract capital for Calidumcoin. It is important to mention that investments also have to be collected in Ethers.

According to the research of SEC, Andrew M. Calamari claimed that "Investors should be wary of companies touting ICOs as a way to generate outsized returns" (Buhr 2017). Therefore, Calidumcoin should not give too many promises about profits from ICO during its marketing campaign. For a successful ICO event, a project has to achieve positive reviews form cryptocurrency enthusiasts. Appendix 6 provides Calidumcoin with websites which will be useful in promoting through articles, comments and news.

7 SUMMARY

Taking everything into consideration, it is necessary to answer the questions from Chapter 1.2 Aim of the study. At the moment, there is a correction of the cryptocurrency market and all the nations show their attitude to blockchain technology through regulation cryptocurrency exchanges and Initial Coin Offering. Gibraltar as a part of United Kingdom has mostly favorable regulation trends.

The method of Calidumcoin fundraising depends on resources of the project. In case of enough start capital there is a possibility to combine Initial Coin Offering with alternative fundraising methods. For instance, Venture Capital and ICO or Crowdfunding and Token Launch.

It can be seen from the interviews with timeshare companies that it is impossible to get information about prices for commercial partners without providing a detailed data about the project. The most suitable companies for cooperation are Expectations holidays and Dial an Exchange Europe Ltd (DAE). Where Expectations holidays is based on RCI-points and DAE on week system.

Analysis through SWOT and set of questions showed that Calidumcoin has the potential to simplify the system of timeshare and in the future become a cryptocurrency to book hotels all over the world. Although, before conducting an ICO, management team have has to attend a significant weaknesses of the project. The combination of the experienced project team and partnership can increase an interest of potential investors.

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Questionnaire of assessing the tokens utility.

1. Is the token tied to a product usage, i.e. does it give the user exclusive access to it, or provide interaction rights to the product?
2. Does the token grant a governance action, like voting on a consensus related or other decision-making factor?
3. Does the token enable the user to contribute to a value-adding action for the network or market that is being built?
4. Does the token grant an ownership of sorts, whether it is real or a proxy to a value?
5. Does the token result in a monetizable reward based on an action by the user (active work)?
6. Does the token grant the user a value based on sharing or disclosing some data about them (passive work)?
7. Is buying something part of the business model?
8. Is selling something part of the business model?
9. Can users create a new product or service?
10. Is the token required to run a smart contract or to fund an oracle? (an oracle is a source of information or data that other a smart contract can use)
11. Is the token required as a security deposit to secure some aspect of the blockchain's operation?
12. Is the token (or a derivative of it, like a stable coin or gas unit) used to pay for some usage?
13. Is the token required to join a network or other related entity?
14. Does the token enable a real connection between users?
15. Is the token given away or offered at a discount, as an incentive to encourage product trial or usage?
16. Is the token your principal payment unit, essentially functioning as an internal currency?
17. Is the token (or derivative of it) the principal accounting unit for all internal transactions?
18. Does your blockchain autonomously distribute profits to token holders?
19. Does your blockchain autonomously distribute other benefits to token holders?
20. Is there a related benefit to your users, resulting from built-in currency inflation?

Table of timeshare platforms.

Name	Type of a platform	Country	Focus area	Website
Red Week	Online timeshare marketplace	USA	Worldwide	https://www.redweek.com/
SFX Resorts	Timeshare exchange services	USA	Contiental USA	https://www.sfxresorts.com/
Dial An Exchange Europe Ltd	Members club for owners of holiday property	UK	USA, Europe	https://www.dialanexchange.com/
Worldwide TimeshareHypermarket	Resale company	UK	Worldwide	http://www.timeshare-hypermarket.com/
Timesharere sale and rentals	Resale company	Online	Worldwide	http://www.timeshare-resale-rental.com/
Expectations holidays	Exchange platform	UK	Worldwide	https://www.expectationsholidays.co.uk/
RCI	Points-based vacation exchange network	USA	Worldwide	https://www.rci.com/

Table of timeshare`s platforms contacts

Name	Phone or email	Contact person	Position	Status
Red Week	support@redweek.com	Valerie	Manager	Currently, Redweek only allow actual timeshare resorts to be listed on website and do not allow any regular hotels or privately-owned properties
Dial An Exchange Europe Ltd	0034600505198 pat@dialanexchange.com	Patricia May de Suñer	Business Development Manager Spain and Portugal	Resort Agreement plus some additional information about the resort was sent to Calidum's director, different point of sale packages are available.
World-wide Timeshare Hypermarket	+44(0)1202544870 luke.reynolds@wwth.net	Luke Raynolds	Excusitive Sales Consultant	Referred Calidum to Expectations holidays
Expectations holidays	+44 (0)1202 414151	Gary Butler Philip Watson	Director CEO	Additional information about examples of resorts must be sent as soon as possible

Dial An Exchange resort information form.

Resort name	Location	Established	Additional info
	Hotel on site Facilities	Developer? How is it owned managed?	Refurb program Pets Disabled friendly Activities
Committee mem- bers	Contacts	Maintenance fees When due and amounts	AGM date
1. 2. 3. 3. 5. 6.	Management Sales Admin		
Number of own- ers	Vacant weeks	Number of units	Number of members
Agreement signed	Mailings done	Plaque	Marketing mate- rials
Sales pro- gramme	Product/s	Owners website	Rentals
		Has DAE info y/n	

Dial An Exchange Europe limited participation agreement.

1. Current number of owners
.....
.....
2. Number of club owned weeks
.....
.....
3. Management fee amounts
.....
.....
.....
4. Date management fees are billed
.....
.....
5. Date management fees are due
.....
.....
6. Date of members AGM
.....
.....
7. Details of other annual mailings e.g. quarterly newsletters, AGM agenda, AGM minutes
.....
.....
.....
8. Board Directors/Committee members. Names and contact details for VIP CLUB
.....
.....
9. Useful Resort Contact details : Resort Manager Sales Director etc .
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Useful links for Initial Coin Offering.

1. <https://www.ico-list.com/> Listing a variety of token sales. Promotion packages starts from 3.49 Bitcoin.
2. <http://www.icocountdown.com/> Very convenient and well-designed platform, which presents ICO events of new cryptocurrencies with focus on crowdfunding methodology.
3. <http://icorating.com/> Evaluates companies, which launching ICOs by rating.
4. <http://blockstarter.co/> Once a campaign is ready and verified by Block Starter, the project could mention it in online media and lead traffic to a startup (from the website 2017).
5. <https://bitcointalk.org/index.php?board=67.0> Altcoins discussion forum.
6. <https://cyber.fund/> Rating of coming crowdsale.
7. <https://www.coinschedule.com/> Schedule of the crypto-projects with the percentage of investment done.

The services to organize an ICO:

1. <https://icoo.io/> Provides with all services in exchange of fees after ICO launching.
2. <https://icopromo.com/> White paper drafting, ICO platform, Worldwide marketing and Token development.
3. <https://www.ambisafe.co/> Ethereum asset platform, which provides services.