



**Prometheum**

# **White Paper**

**December 2018**



# Abstract

Prometheum is building a securities token ecosystem to meet the requirements of 21st century business models. Our Smart Security Token (SST) provides infrastructure for distributed internet of value businesses, critically supporting both their regulatory and functional requirements.

The advent of distributed ledger technologies and subsequent token-based incentive mechanisms, as evidenced by the recent ICO craze, has demonstrated the appetite for compliant financial assets that allow for participants to be rewarded for their contribution to network growth. However, the requirements of regulators, as highlighted by the SEC's DAO report and subsequent guidance, must be integrated at a fundamental level in order for distributed business models to become viable.

Neither existing securities infrastructure or current blockchain technology platforms provide ready solutions.

By building out a vertically integrated ecosystem of licensed financial entities and technologies, Prometheum is delivering a compliance-first approach to meeting the demands for a fully-functional security token and the regulatory and technology infrastructure to build upon.

Our SST provides the fundamental basis for the Prometheum ecosystem and is first manifested in our native Ember SST. Ember provides the fuel for the Prometheum Network and demonstrates the versatility and value provided by a modern approach to using securities to transfer value in a decentralized, blockchain-led environment.

## Important Information

Prometheum is in the process of registering a Broker-Dealer ("BD") and Alternative Trading System ("ATS") as part of and for use by the Prometheum Network. These resources will be developed and implemented going forward pending regulatory approvals which Prometheum cannot predict or guarantee.

All information contained in this White Paper is subject to change. A copy of Prometheum's Offering Statement may be obtained by visiting:

<https://www.sec.gov/cgi-bin/browse-edgar?company=Prometheum&owner=exclude&action=getcompany>

Cautionary Statement Regarding Forward-Looking Statements-This White Paper contains forward-looking statements, including statements relating to the Company's proposed operations, financial results, business and products. Other statements in this White Paper, including words such as "anticipate," "may," "believe," "could," "should," "estimate," "expect," "intend," "plan," "predict," "potential," "forecasts," "project," and other similar expressions, also are forward-looking statements. Forward-looking statements are made based upon management's current expectations and beliefs concerning future developments and their potential effects on the Company. Such forward-looking statements are not guarantees of future performance. All forward-looking statements in this White Paper speak only as the date hereof. The Company expressly disclaims any obligation or undertaking to disseminate any updates or revisions to any forward-looking statement contained herein to reflect any change in its expectation with regard thereto or any change in events, conditions, or circumstances on which any such statement is based.

# Table of Contents

<b>Background</b>	<b>5</b>
Recent Developments	5
What is a Security Token?	6
Existing Securities Infrastructure	6
Existing Blockchain Technology	7
<b>Introducing Prometheus</b>	<b>8</b>
Introducing the Smart Security Token	8
Introducing Prometheus's Vertical Approach	8
Introducing Prometheus's Smart Securities Ecosystem	9
<b>Leveraging the Internet of Value</b>	<b>11</b>
Traditionally Centralized vs. Distributed Peer to Peer Business Models	11
Introducing Ember	13
The Ember Token Economy	14
<b>The Prometheus Network</b>	<b>15</b>
Prometheus's Technology Stack	15
The Prometheus Blockchain	16
The Maker/Staker Model	19
<b>SSTs in Context</b>	<b>21</b>
SSTs and the Regulatory Environment	21
SSTs and Improving Financial Infrastructure	21
SSTs and Distributed Ledger Technology	22
SSTs: Key Terminology	23
<b>Positioning Prometheus</b>	<b>25</b>
Prometheus's Evolution and Foundation	25

# Background

The 20th century internet of information business model where users trust a centralized intermediary to protect data and ensure the integrity of value transfer transactions no longer meets the needs of a modern user base. In the internet of information era, online commerce required one way, service-based value flow ecosystems, where value for services provided flowed from user participants to trusted centralized intermediaries.

The introduction of the blockchain and related distributed ledger technologies allow for network participants to verifiably transfer value and information in a decentralized environment. Integration of blockchain technology in regular commerce permits the creation of new business models that will allow the internet of value to move from a fringe concept into the mainstream. Internet of value based distributed businesses require dynamic mediums through which value can be transferred by and amongst network participants and intermediaries.

## Recent Developments

The ICO craze (2014-2017) demonstrated the appetite for a new type of asset (ultimately tokens) that met the needs of internet of value based business models. Businesses conducting token offerings realized the need for a new asset that allowed for multi-directional value flow whose integrity could be verified and exist natively on a blockchain. Distributed businesses (those who conduct token offerings) were able to incentivize and reward contributors for their contribution to network growth through cryptographic tokens representing verifiable stores of value.

With the introduction of the JOBS Act in 2012, the SEC democratized investment related securities regulations by permitting all types of investors to participate in crowd based online investment products. This created the conditions for the new distributed internet of value business paradigm to take hold. Traditionally, the barriers to entry to capital formation prevented smaller issuers from taking advantage of the capital markets, and limited investments to accredited investors and institutions. The JOBS Act, and related subsequent regulations, changed market dynamics by allowing issuers to use the internet to advertise securities offerings and, depending on the specific JOBS Act regulation, permitted the general public (i.e.all investors) to participate in such offerings.

The transition to a democratized financial ecosystem was bumpy, and general perception was that there was a regulatory void. This resulted in a plethora of token-related federal securities law violations. In the DAO Report, published by the SEC in July 2017, the SEC concluded that offers and sales of digital assets by "virtual" organizations are subject to the requirements of the federal securities laws and that, depending on facts and circumstances, offers and sales, of cryptographic tokens involves the offer or sale of a security. While the SEC's conclusion that tokens could qualify as securities provided the regulatory clarity that will allow for the the eventual mainstream acceptance of SSTs, it also presented a clear issue: the infrastructure for cryptographic securities does not currently exist. There is no secondary trading venue for SSTs, nor are there accepted regulatorily-compliant mechanisms for clearing and settling customer transactions or monitoring custody of customer's cryptographic assets.



The introduction of innovative new technologies (the blockchain) as a means of capital formation, as highlighted by the prevalent use of the ERC-20 tokens, together with the JOBS Act regulations created a new paradigm where distributed internet of value issuers could raise capital via a token issuance in a trustless blockchain environment.

## What is a Security Token?

Security tokens are a new asset class that serve the needs of internet of value based businesses. Securities tokens are the means through which the democratization of finance can occur compliantly under the federal securities laws in the United States.

Finance is being democratized by distributed internet of value based businesses that use tokens to allow for multi-directional value flow to incentivize and reward contributors for their participation in growing underlying networks.

Securities tokens issued and existing on a blockchain allow for verifiable value transfer amongst network participants but must meet regulatory requirements established by traditional models and processes. Using multi-directional value transfer instruments allows for distributed internet of value-based businesses to properly incentivize their user base to grow the network while benefiting from the financial rewards associated with such growth.

## Existing Securities Infrastructure

Historically, financial services have relied on a series of centralized intermediaries who have layered additional processes on top of the securities markets in response to technological and societal changes in order to continue to service and ensure the integrity of the financial system.

All of these securities industry systems (e.g. capital formation, trading, custody, clearing and settlement) and their interaction with regulatory requirements are therefore a patchwork of ongoing changes and modifications to old systems. These systems are reaching the end of their useful life cycles.

When comparing what we have today in the securities markets to renovating an old house, how much can be replaced? What parts of the old pipes and heating system should be used to save the sculptured plastic wall? How much of the original woodwork should be preserved in the kitchen?

As a result, the 20th century model:

- requires layers of inefficient information within a centralized system of control (e.g. transfer agents),
- is labor and cost intensive,
- results in old self-perpetuating bureaucratic systems,
- uses inefficient and costly methods of communication (snail mail, priority, etc.)

...and has been relatively unchallenged for over fifty years.



The archaic systems of centralized processing to deliver to beneficial owners shareholder information and maintain books and records of trading information and customer data are cost-inefficient. Using distributed ledger technology, the existing infrastructure of securities activities can be streamlined and appropriately protected.

The centralized nature of current securities infrastructure limits interactivity between participants of distributed businesses and hampers the growth of innovative new technologies that take advantage of the internet of value. Removing centralized control points reduces costs, broadens functionality and improves security.

## Existing Blockchain Technology

Existing blockchains and related technologies appear split between mature (e.g. Bitcoin, Ethereum) infrastructure and experimental/untested innovations. Generally, these innovative projects have either established technologies with no network stability or networks with stability but a lack of tested technologies.

It is difficult to achieve stability from immature and experimental technologies when a broad set of requirements are competing for attention. Each blockchain project varies, and where long-term stability over a set of core interactions is key, a very specific set of architectural requirements must be met. Though the fundamental technologies required to provide a modern security token infrastructure on a blockchain exist, they haven't been combined in a manner that meets the needs of regulators, investors and token users.

Furthermore, the typical approach to meeting common requirements (scale, resilience, compatibility) is to add and change features on existing networks (e.g. Ethereum's EIPs and ERCs). While this allows for networks to grow based on demand, it doesn't provide for the level of stability and functional guarantees required by a system made up of licensed, regulated entities.

The open and effectively distributed development of, for example, smart contract standards (e.g. ERC-20, ERC-1400) to support user demand for features, has proven to be a valuable and engaging way of identifying feature requirements but doesn't provide assurances needed for compliant security tokens.

In order to provide a security token that can interact with existing financial systems, facilitate regulatory compliance and work with evolving technologies, a comprehensive approach to infrastructure, protocols and usage is required.

# Introducing Prometheus

## Introducing the Smart Security Token

Prometheus's Smart Security Token (SST) is the basis upon which Prometheus can deliver an ecosystem that is both U.S. federal securities law compliant and offers the features of a functional token. The SST is a compliance-first approach to meeting the demand for a security token.

Though existing approaches to securitizing tokens and tokenizing securities are interesting, they fail to address the fundamental, underlying problem: tokens on general purpose blockchains cannot easily (if at all) meet regulatory requirements for securities, and; securities issued on legacy systems cannot integrate fluidly with modern technology and distributed systems.

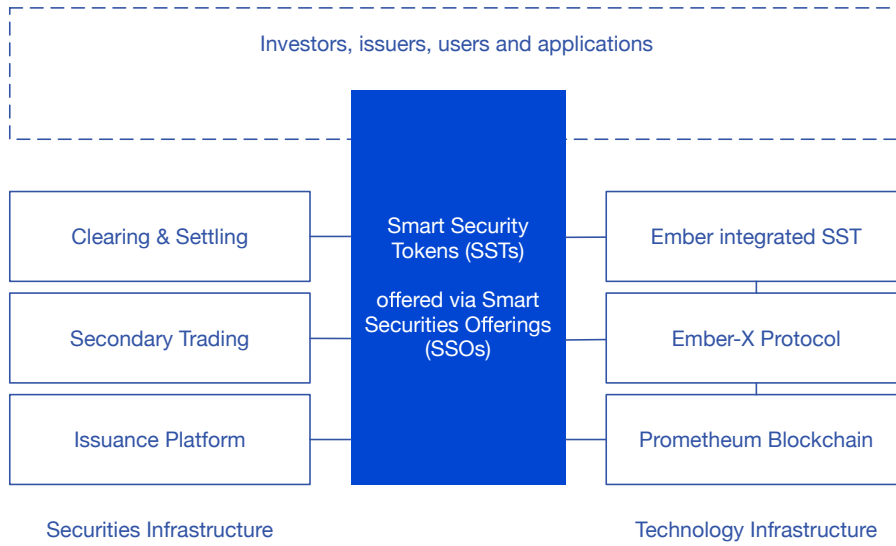
By leveraging a unique design that allows for SSTs to exist as both securities and tokens (with anticipated use managed by different wallet types), Prometheus has established a protocol (Ember-X), a token standard (the SST), a means of payment (the Ember SST) and a blockchain (the Prometheus Blockchain) to support all of the above.

Prometheus users are able to leverage a set of base (Ember-X) standards that make different SSTs compatible with one another for the purpose of both securities and functional token interactions. There are limits to how securities transactions can take place (e.g. SSTs used for secondary trading must be held in a clearing firm-managed wallet), but they can also be used freely (once moved to a personal wallet) in general purpose smart contracts published by any user of the network.

## Introducing Prometheus's Vertical Approach

By creating the blockchain infrastructure, the token standard and the licensed entities required to issue, trade and operate security tokens, Prometheus is in a position to service the entire securities life cycle. Our vertical integration of SSTs, from issuance, to trading through clearing and settling is underpinned by our blockchain infrastructure and Ember-X protocol. Using a blockchain to store and transfer value in a federal-securities-law-compliant ecosystem allows Prometheus to meet the diverse needs of both traditional and distributed business models.

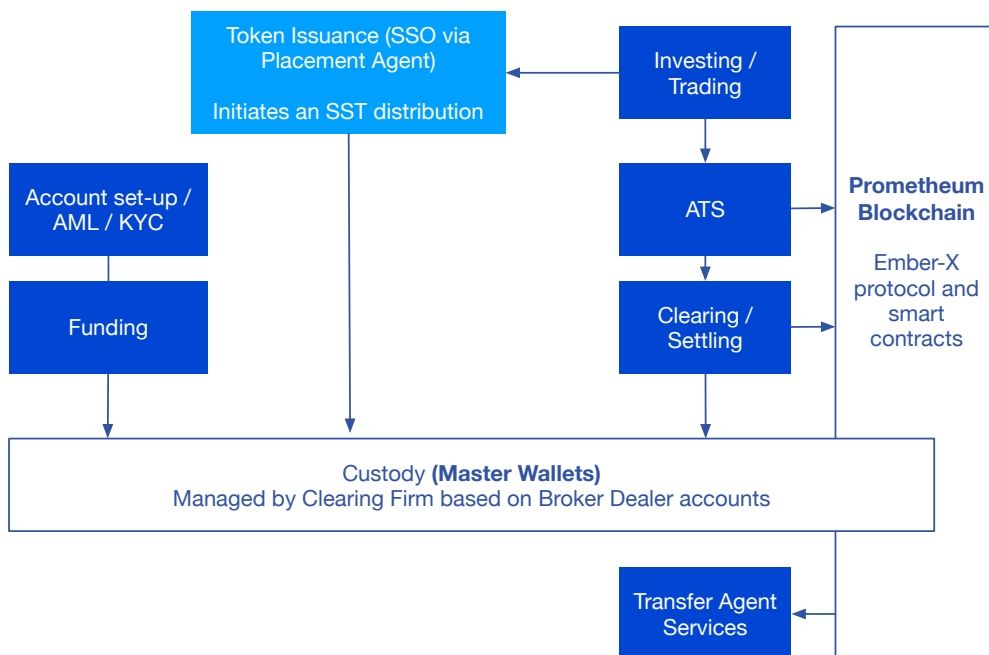




## Introducing Prometheus’s Smart Securities Ecosystem

Prometheum is creating an SEC-overseen and regulated market for compliant security tokens which will provide for the primary issuance of registered or exempt securities, a venue for secondary trading, mechanisms for clearing and settling transactions and monitoring custody of a customer’s security token assets. All these activities occur on Prometheum’s blockchain ecosystem made up of issuers, customers, validators, application developers and partners that serves as the smart securities infrastructure where all security token processes will occur.

In order for tokens to be transacted compliantly in the United States, the proper infrastructure for handling securities represented by cryptographic tokens needs to be created. This infrastructure requires a complete ecosystem for SSTs which allows for multiple processes over the entire cryptographic security lifecycle.





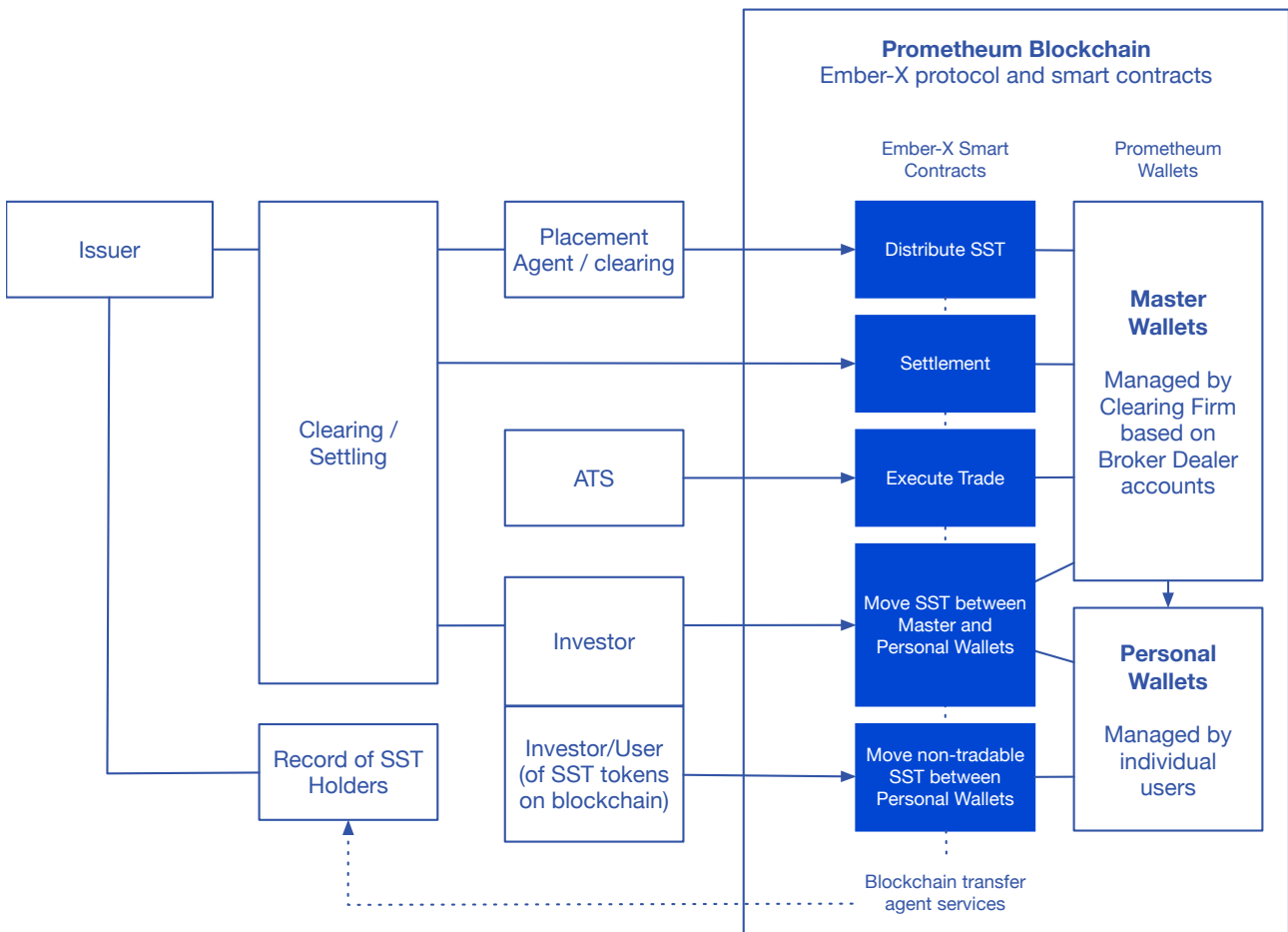
Prometheus’s vertically integrated regulatory stack consists of three core licensed components:

1. an issuance platform for SSTs to issue FSL compliant tokens that are free trading and available to the general public,
2. a secondary trading facility for cryptographic securities registered as an ATS with the SEC, and
3. clearing and settling facilities for processing customer cryptographic securities transactions and monitoring custody of customers cryptographic assets.

These three licensed entities (BD, ATS, Clearing Firm) form the basis for a completely integrated regulatory infrastructure for SSTs.

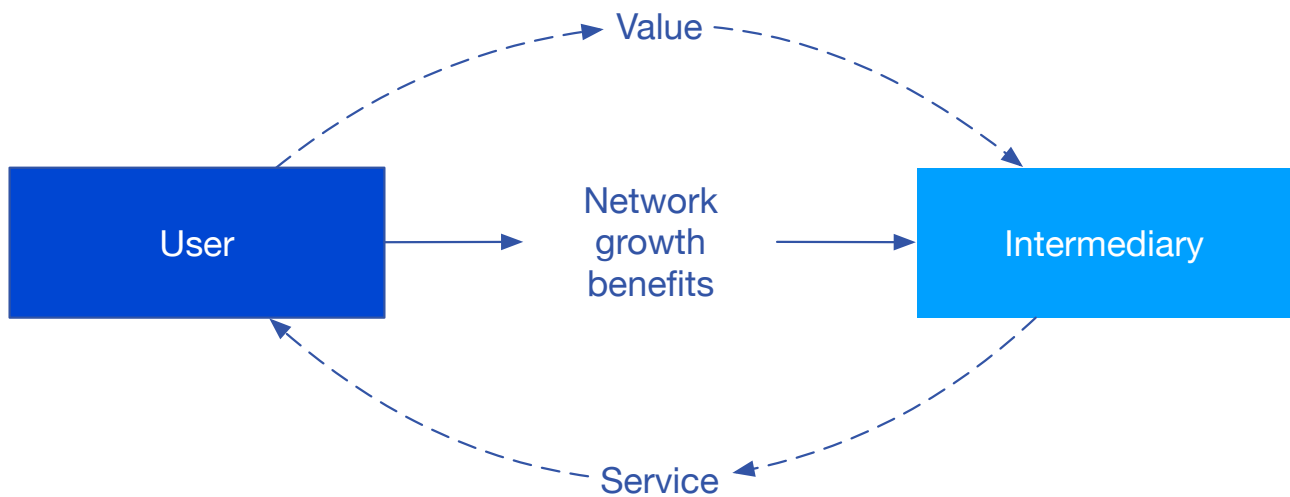
Prometheus’s SST design and technology stack underpins the fundamentals of the Prometheus business and SST ecosystem. The Prometheus Blockchain provides the underlying infrastructure for the SST ecosystem via the Ember-X protocol. The Ember SST fuels all SST transactions.

The Prometheus Ember ATS is a first party user of the Prometheus Blockchain, writing executed trades to Prometheus’s blockchain via Ember-X smart contracts. Settlement transactions and transfers between master and personal wallets are written to the Prometheus Blockchain by the clearing firm. Investors and users can interact directly with the Prometheus Blockchain using Ember-X smart contracts as well as other general purpose smart contracts deployed by other SST issuers or network users. Investors in Ember can stake validating nodes on the Prometheus Blockchain to support and facilitate its growth and earn Ember for their services.

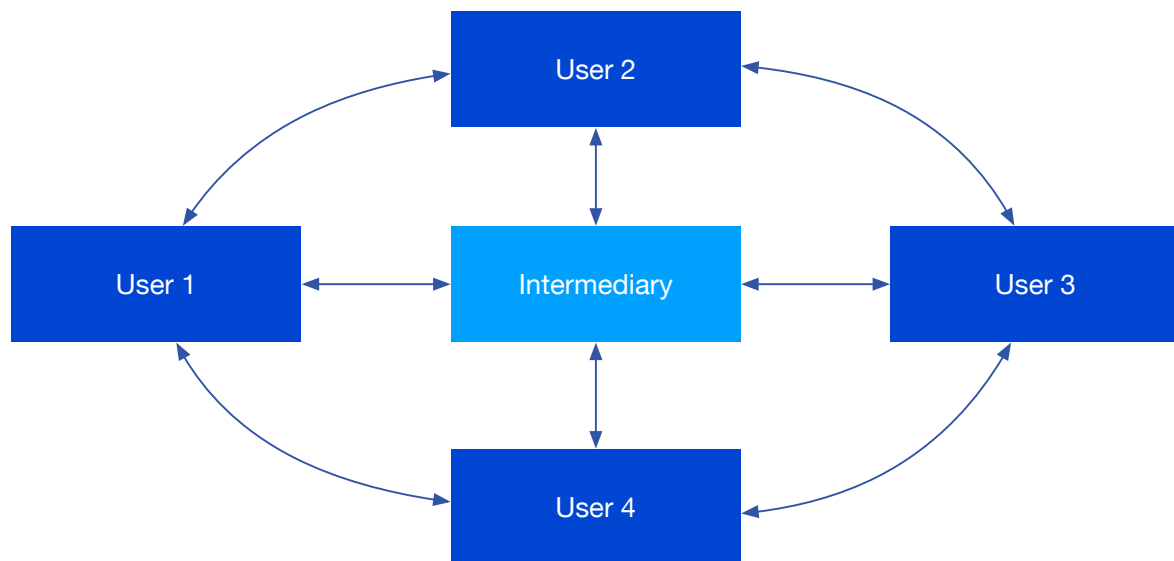


# Leveraging the Internet of Value

## Traditionally Centralized vs. Distributed Peer to Peer Business Models



Traditional centralized business models require a service for value exchange in order to introduce trust into online transactions. As a result, value transfers and network growth benefits are one-directional and only benefit and reward the intermediary providing the service.



**Distributed business models allow for multi-directional value transfers in order to reward participants for their contribution to network growth.**

Centralized business models where users who fuel a network's growth are treated as non-beneficiary participants in the actual growth they are fueling, no longer fit the needs or expectations of a dynamic and interactive user base. The era of traditionally centralized business models is being replaced by distributed, peer to peer based businesses that allow for multi-directional flow of benefits between and amongst users and intermediaries through leveraging the internet of value (blockchains).

Using blockchains, new age peer to peer businesses can incentivize early network participation and allow for distribution of benefits between and amongst users, network participants and intermediaries. By properly incentivizing network participants and participation, peer to peer blockchain based businesses and early network participants in those businesses benefit as the ecosystem grows and the value of the token based economy increases.

The internet of information has shown that centralized data is not capable of being reliably protected. As society transitions to the internet of value, blockchains eliminate the need for a trusted centralized party who must be relied upon to act in good faith. Value stored on a blockchain of independently run nodes ensures the integrity of digital assets/securities. The inherent cryptographic nature of the blockchain and the different levels of decentralization eliminate many of the security issues related to data in centralized business models.



## Introducing Ember

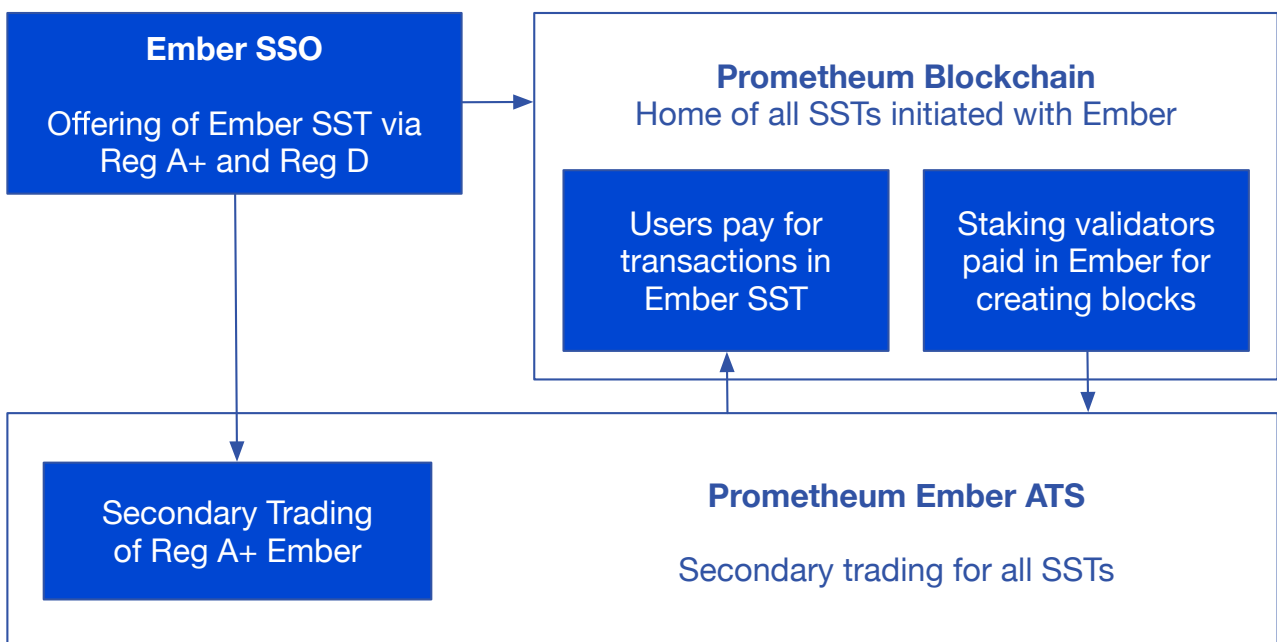
The use of multi-directional value transfer instruments issued over a blockchain has increased rapidly since the first token offering in 2013. The ICO craze from 2014-2017 has shown the need for regulated multi-directional value transfer instruments that allow internet of value based businesses to flourish. SSTs are the instruments that allow for compliant multi-directional value transfer instruments to meet the needs of 21st century peer based internet of value businesses.

Ember (MBR) is the first SST created on the Prometheus ecosystem. It's a fully compliant, free-trading security token, and the first SST created with the Ember-X protocol. Ember provides the transaction-based fuel for the entire ecosystem (all Prometheus Blockchain transactions are paid for in Ember).

The Prometheus Network incentivizes participation through the Ember token in order to help achieve network stability. Incentivization through multi-directional value transfer instruments (tokens) allow early participants to benefit from the network's growth.

Prometheus's validation model relies on multiple stakers running validating nodes on the network. Stakers place an amount of Ember in bond in order to run a validating node. Stakers are paid in Ember for running a validating node for a staking cycle (e.g. 2 weeks). Our auction/bid system ensures that there is a rotation and variety of staking participants.

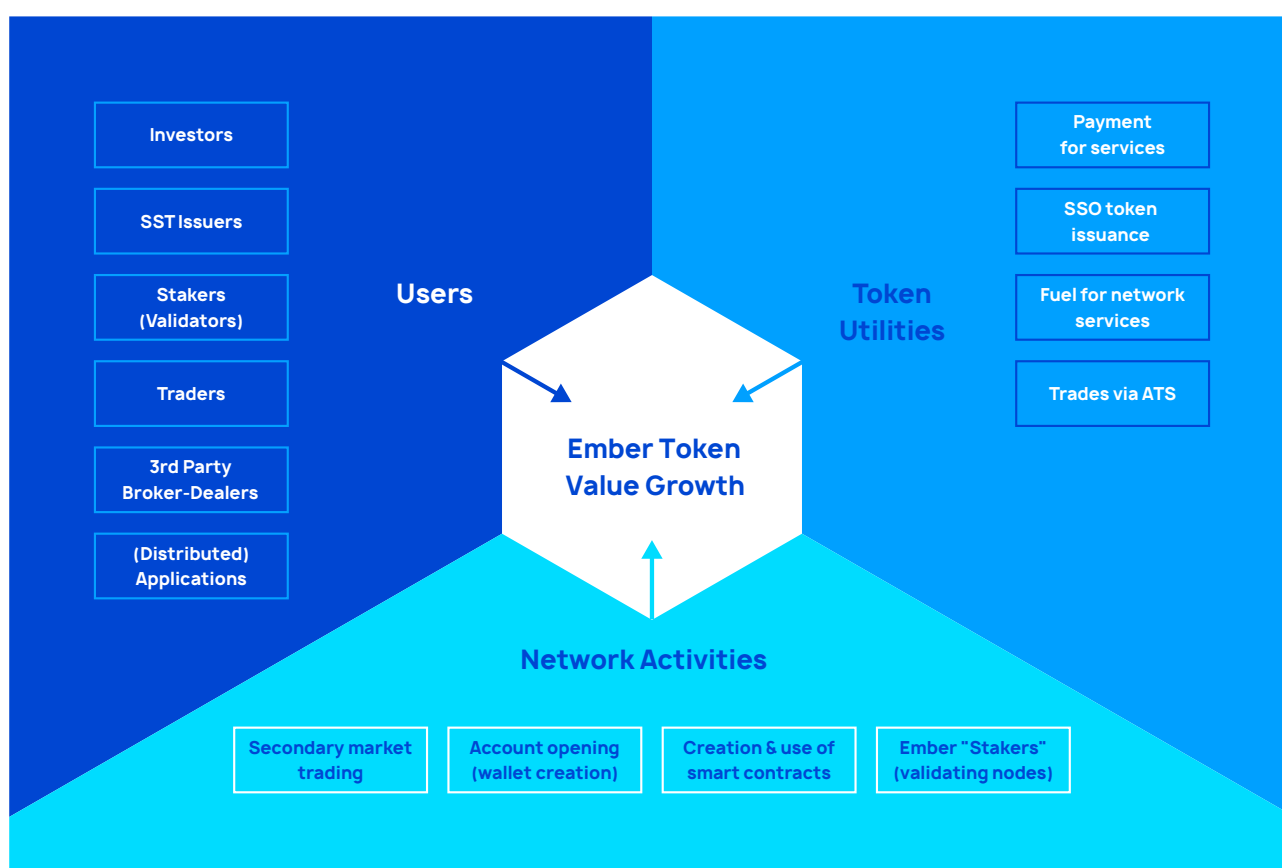
The value of Ember is associated with growth of the overall ecosystem, which is a product of all the SSTs that have been issued and the related blockchain activity. Users purchasing or selling SSTs on Prometheus's Ember ATS are paying for those transactions in Ember, which is furthering growth of the network. As more





issuers launch SSOs on the Prometheus ecosystem, external demand for their SST results in secondary trading, which is paid for in Ember. As more transactions occur, the amount of value available for processing those transactions drives further staking speculation by validators who will be willing to stake more to participate in providing network infrastructure.

## The Ember Token Economy



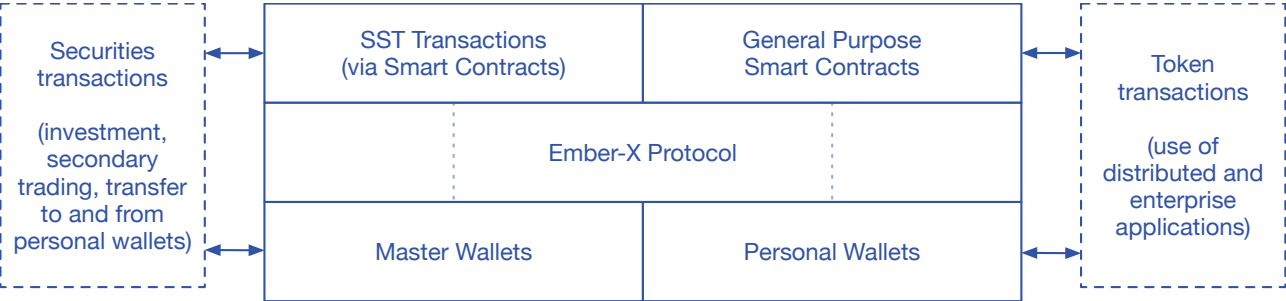
Interest in the Ember token economy is driven by numerous factors:

- Ember exists as the progenitor of other SSTs and essential to all network activity
- Ember is the first SST that will be issued and trade over the Prometheus Network
- Ember is core to all transactions that occur on the Prometheus Blockchain
- Ember is the fuel that keeps the Prometheus Network running
- Ember will serve as the regulatory precedent by which other compliant issuer tokens are created on the Prometheus Network
- Ember is a fundamental component to growth of the Prometheus ecosystem

# The Prometheus Network

Prometheus has identified, designed and extended technologies to provide a foundation for its network. Prometheus's fit-for-purpose vertical approach benefits its users by:

- integrating compliant smart contracts (building blocks for issuers),
- automating compliance via integrated contracts,
- providing reliable and scalable performance for securities and general purpose token transactions,
- creating a wallet structure that allows for general purpose token use in smart contracts, and
- integrating Ember tokens for payment of transaction fees.





## Prometheus's Technology Stack

Prometheus's Blockchain, Ember-X protocol and SST model have been designed to provide benefits to all parties in the security token ecosystem.

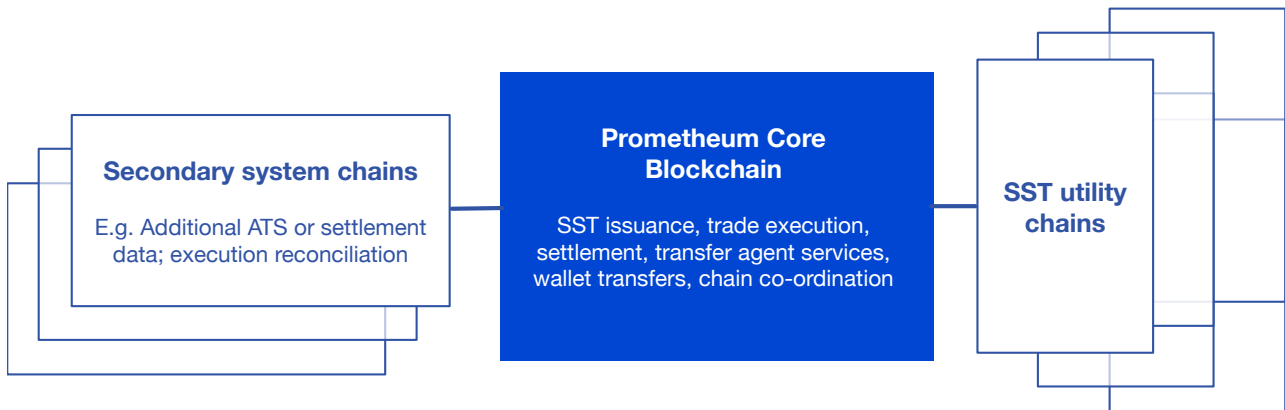
- The SST issuer has access to capital via a registered or qualified security and functionality via a token.
- The Issuer can participate in the use of the SST (e.g. in applications or services that integrate it as a means of payment) whilst also using it as a means to raise capital (e.g. a security).
- The SST issuer can meet their Transfer Agent requirements via integrated Transfer Agent services in the Ember-X protocol and the tools provided to the broker-dealer, ATS and clearing firm.
- The process of issuing an SST is streamlined compared to a traditional security using legacy systems and allows the issuer to build their SST from compliant Ember-X building blocks (which provide a variety of security and token functions).
- The Prometheus Ember ATS, broker-dealer and clearing firm can reconcile trades and settlements without revealing private or proprietary information.
- The SST issuer can also reconcile SST distributions (all SSTs are always accountable on the Prometheus Blockchain)
- Regulators have greater visibility over network participants and activity.
- Due diligence and AML requirements are met due to the full visibility of SST transactions (all movements of SSTs between personal wallets happen on the blockchain).
- The Ember-X protocol provides a standard set of SST smart contracts for application providers to extend, customize and meet their specific requirements.
- Other parties (including SST issuers) can integrate SST functionality via public smart contracts, instead of having to establish separate legal and technical relationships.
- Network users can be sure of smart contract compatibility due to the built in Ember-X listed smart contracts and wallet types.

## The Prometheus Blockchain

The Prometheus Blockchain is the core of the Prometheus Network and the basis of Prometheus's securities innovations. By leveraging distributed ledger technology to meet the specific requirements of our SST design, we're able to provide:

- a high-throughput, distributed and resilient base layer,
- a scalable consensus and network design to support a large volume of SST transactions and related smart contracts,
- an integrated master/personal wallet classification system that ensures compliance for securities transactions and flexibility for applications and other SST utilities, and
- a compatible smart contract layer (Solidity + EVM) for integrating with other technologies.



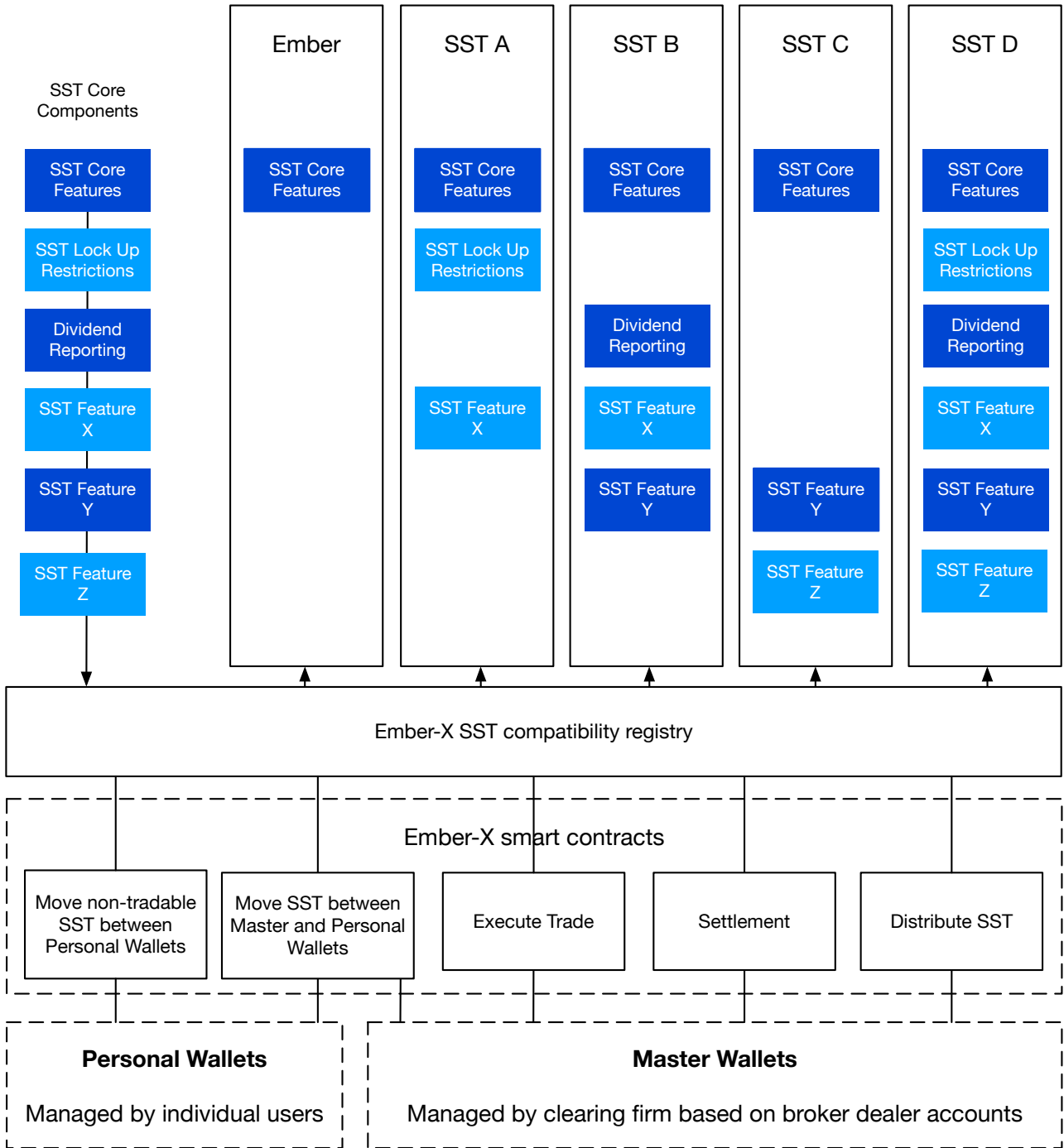


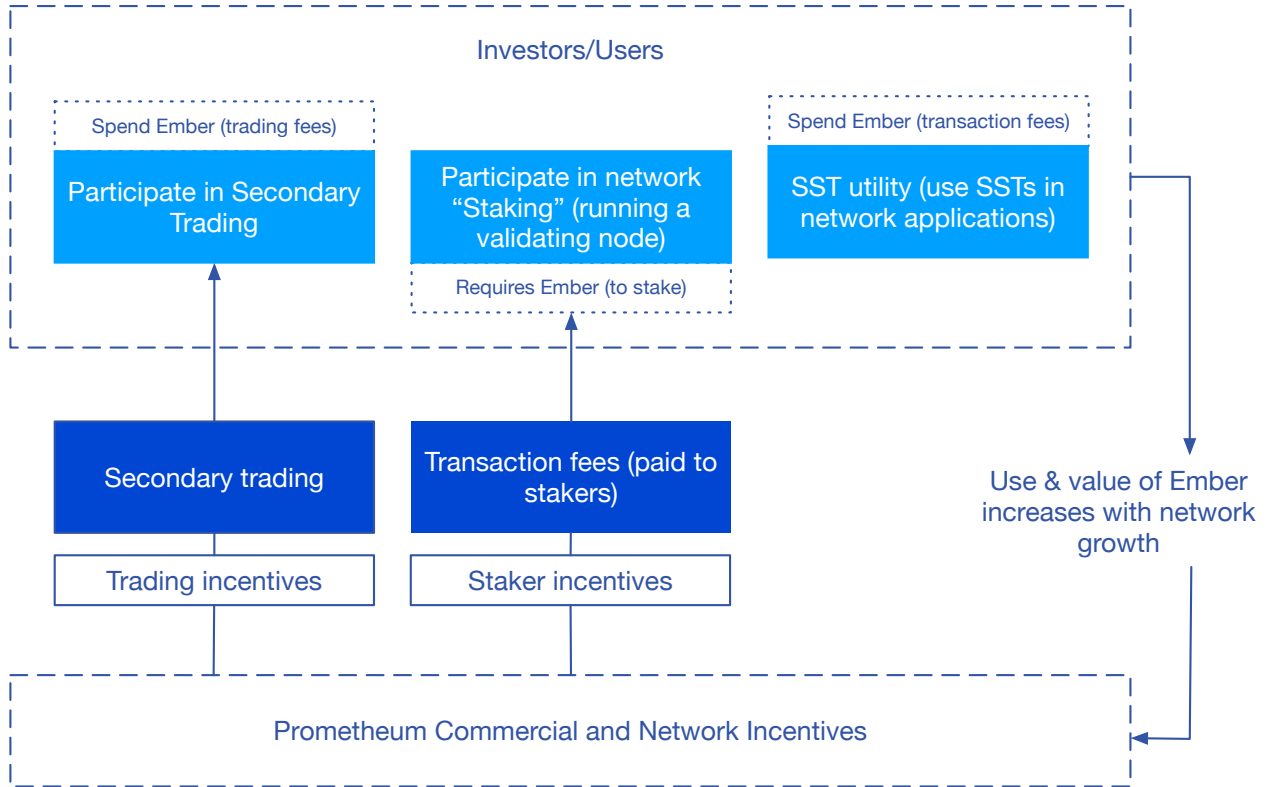
Systems chains are managed and expanded as the Prometheus ecosystem scales. Each secondary system chain is optimised for (predictable) data types and throughput

Prometheus's Blockchain supports multiple secondary utility chains (side chains) to manage scale and growth in personal wallet or general purpose smart contract transactions

Ember-X is combination of a set of core smart contracts, a smart contract registry and the integration of the Ember SST as a means of payment for transactions on the Prometheus Blockchain.

New SST issuers can create SSTs using the core SST composition tools (integrated into the Prometheus issuance platform). By using building blocks provided by Prometheus, SST issuers can ensure regulatory compliance and token compatibility on the Prometheus Blockchain and ecosystem.

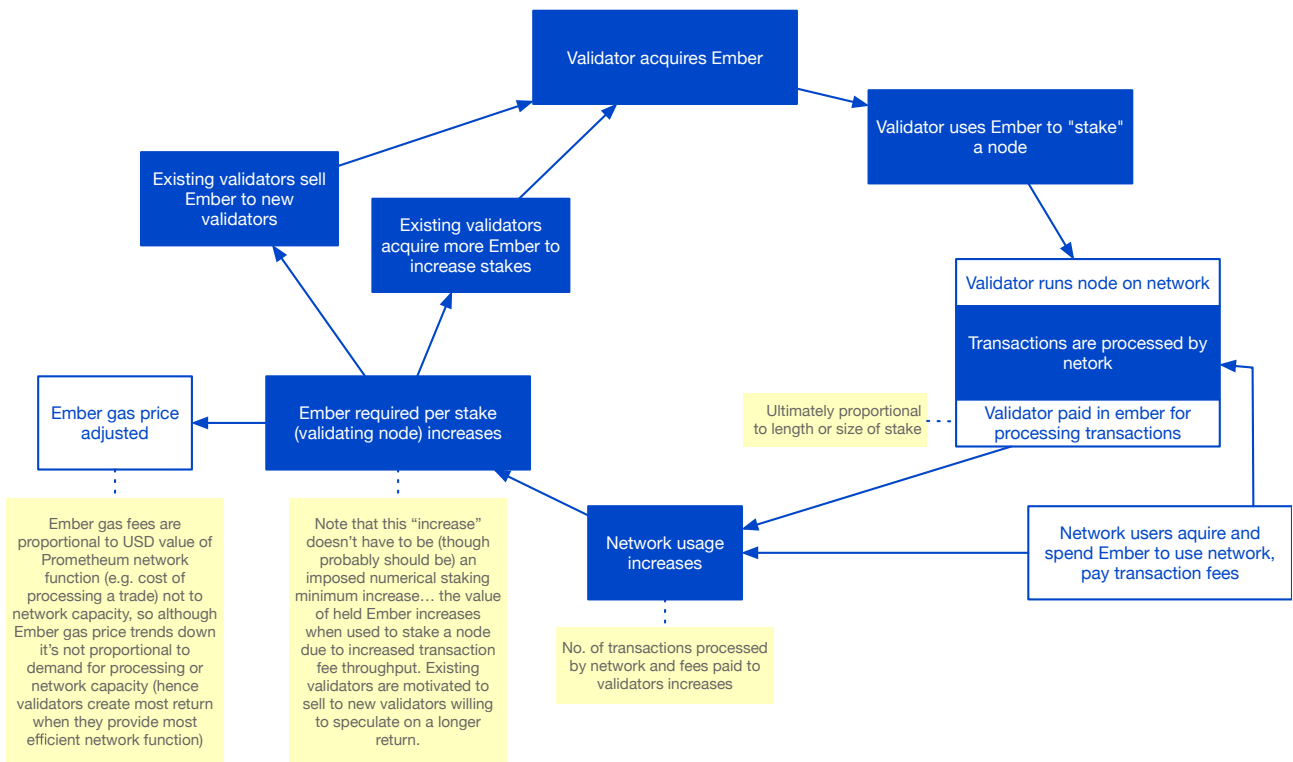




## The Maker/Staker Model

The inherent value of any token is its utility on the underlying network. A financial services ecosystem that intends to have millions of transactions written to its underlying blockchain is an obvious use case for a utility token.

There are few examples of tokens that have proven their utility, but as a critical part of Prometheus's network and an underlying factor in all SST transactions, Ember's utility is determined by the overall function provided by all Prometheus based SSTs.



Historically, trading forums attracted flow through operating maker/taker models. Maker/taker models attract traders and liquidity through rebates to makers of liquidity and charges to takers of liquidity. The maker/taker model therefore incentivizes liquidity providers while charging liquidity takers.

Prometheus, through the use of its Ember SST, intends to incentivize makers of liquidity with Ember rebates, while not initially charging liquidity takers, in order to incentivize user participation on the Prometheus Network. Furthermore, stakers (the validators of transactions written to Prometheus's Blockchain) will also receive network incentives in Ember Tokens to ensure timely processing of all transactions until Ember-X reaches critical mass.

# SSTs in Context

## SSTs and the Regulatory Environment

Prometheum has embraced regulation from inception and believes that the federal securities laws provide compliant methods through which to issue, trade, clear and settle SSTs. By taking advantage of the proven benefits of distributed ledger technologies, embracing regulation and working with regulators in the United States, Prometheum believes that it will set the precedent for SST issuers in the United States.

Prometheum's Ember token offering will act as the precedent and model that other issuers will follow in order to compliantly issue free trading tokens available to all investors in the United States.

In November 2017, Prometheum filed an offering statement under a Reg A+ that allows for federal securities law compliant issuance of tokens to any type or investor in the United States. Previously, token issuers either disregarded federal securities laws or issued tokens via an exempt offering that limited participation to the wealthy (accredited investors and institutions), and can't trade freely on a secondary market.

By embracing regulation and operating compliantly under the federal securities laws, Prometheum believes that it will usher in a new era for SSTs that will allow issuers to operate distributed internet of values businesses compliantly in the United States.

## SSTs and Improving Financial Infrastructure

The legacy financial infrastructure:

- was constructed to meet the needs of traditional securities issuers and lacks the ability to service distributed business models, and
- depends on centralized intermediaries in order to protect data and confirm the integrity of transactions.

Securities represented by cryptographic tokens (SSTs) allow for financial products to meet the needs of businesses looking to increase the likelihood of success through community based distributed incentive models. Therefore, SSTs meet the needs of different distributed business models seeking to grow dynamic user bases.

Historically, securities represented a traditional investment in a company where the appreciation of the underlying asset was tied to the P&L performance of the company issuing the security. Conversely, SSTs are financial instruments tied to usage rights whose appreciation is related to user interest in an underlying network. SSTs provide a medium through which network participants can participate in the value creation associated with such participation. The multi-purpose nature of SSTs allow their owners to realize financial gain (a security), while also having a use/purpose (a utility) on an underlying network.



The activities that are proposed for the Prometheum ecosystem, (the creation, distribution, trading, selling and custody of security tokens done in compliance with the federal securities laws) will allow broker-dealers and issuers to take advantage of multi-directional value transfers and maintain readily accessible, indelible and unalterable books and records.

In each phase of Prometheum's ecosystem, new methods of satisfying securities regulations are present:

- At "distribution" of an issuer's SST the issuer will have a complete record, stored on Prometheum's blockchain, setting forth details of actual ownership of the securities. Such a record when integrated into Prometheum's ATS will allow for a readily accessible record of both custodial and beneficial ownership.
- By using the enhanced information provided by smart contracts in the Ember-X protocol, the issuer will be able, in a seamless environment, to distribute periodic information (e.g. 10K, 10Q, 8Ks annual reports etc.) to beneficial owners eliminating the current expensive and inefficient means of distributing information to shareholders.
- The process of maintaining transfer records as currently maintained for 20th century securities (whether certified or book entry) will no longer be necessary, as the ultimate and indelible record of the location and beneficial owners of the security tokens are immediately set forth on Prometheum's blockchain.
- Broker-dealer books and records requirements both on a client and or a proprietary trading basis (as principal or agent) will be readily available for broker-dealer participants in the Prometheum ecosystem. This immediate and transparent record will be maintained and verifiable from the first day of activity going forward.
- Trading records, size of book, all orders and all transactions placed on Prometheum's Ember ATS will be available for review and recapture.
- Using Prometheum's blockchain all SSTs managed by the clearing firm will be held in cold storage, their provenance established by the blockchain confirmation process.

SSTs issued on the Prometheum Blockchain introduce flexibility into the capital markets thus allowing for distributed systems where market information and integrity is assured through a network of decentralized validators and participants.

## SSTs and Distributed Ledger Technology

Prometheum is leveraging blockchain and distributed ledger technology to meet the specific requirements of its SST design, addressing security token implementation problems head on. Our SST design and supporting ecosystem provide:

- a fundamentally compliant blockchain infrastructure for security tokens,
- a reference design and toolset in the Ember-X SST smart contracts,
- a wallet structure that allows users and issuers to move SSTs between master and personal wallets as required for different uses,
- a first-party means of payment on the Prometheum Blockchain that itself is based on the Ember-X SST standard,



- integrated compliance functions for all SST transactions,
- massively improved efficiency for typical securities processes, and
- compatibility with other blockchain technologies and systems.

## SSTs: Key Terminology

Term	Description
<b>Smart Security Token (SST)</b>	SSTs are both FSL compliant securities and cryptographic tokens. SSTs can be used as securities and tokens on the Prometheus Blockchain.
<b>Smart Security Offering (SSO)</b>	A sale of SSTs, run under one or more regulatory frameworks
<b>Staker</b>	An entity (person or corporation) who runs nodes on the Prometheus Blockchain. Will at least require a brokerage account and to have completed some form of Staker due diligence inquiry.
<b>Prometheus Blockchain</b>	A hybrid public/private blockchain that runs the Ember-X protocol for master wallet embedded smart contracts and allows for general purpose smart contracts that can interface with Personal Wallets.
<b>Transaction</b>	A transaction on the Prometheus Blockchain. All transactions will be smart contract method calls and are paid for with Ember.
<b>Wallet</b>	A wallet (blockchain wallet, e.g. private/public key pair) to hold SSTs (including Ember). Wallets come in different types and with different features for different parts of the Prometheus ecosystem, all built on the same base technology.
<b>Ember</b>	The name of and the whole tradable unit of the Ember SST. Ember is the 1st party token of the Prometheus Blockchain and its first issued SST. Each unit of Ember is divided into "Spark" base units.



Term	Description
<b>Ember-X</b>	The protocol that underpins the functionality of the Prometheus Blockchain, including network design (e.g. blockchain peer model, consensus mechanism, smart contract layer, address and wallet model), different wallet types, embedded master wallet smart contracts, smart contract layer and other functionality.



# Positioning Prometheum

The 21st century financial ecosystem combines the cost savings of traditional vertical integration with the proven benefits of distributed ledger technology to create a modern, regulated, financial ecosystem for digital assets (securities). The benefits of this model include reduced transaction costs, safety of data, verification and immutability of transfers, and verifiable value owned by users who are also able to benefit from their contribution to the network/ecosystem.

A decentralized vertically integrated, self-contained regulatory full stack sitting on top of our own proprietary blockchain will allow Prometheum to eliminate significant inefficiencies and reduce traditional transaction costs associated with traditional financial services.

Prometheum's SST ecosystem allows for the issuance of SSTs (value) via cryptographic tokens that trade on Prometheum's purpose built blockchain. The self-contained regulatory full stack consists of multiple parts: an introducing broker-dealer, the Prometheum Ember ATS (application pending), and a clearing arm that together allow for the streamlining of processes, and reduced costs when compared to traditional financial services. Tokens issued via a Reg A+ offering conducted will be listed on Prometheum's Ember ATS that writes executed trades to Prometheum's blockchain and settles token transactions in virtual wallets (brokerage accounts) held at the clearing firm.

The Prometheum Network is the medium through which distributed network participants will be able to compliantly issue, trade, custody and settle value transfer instruments. The integrity of users' value transfers (SST trades on Prometheum's ATS) governed by smart contract and transacted via Prometheum's Blockchain represents a 21st century financial ecosystem that can service the needs of 21st century peer based distributed businesses.

## Prometheum's Evolution and Foundation

Prometheum's goal is to use proven blockchain technologies to achieve securities innovation. Leveraging our team's core expertise, we believe we can use distributed ledger technology to eliminate many of the inefficiencies of the 20th century financial system and allow the securities industry to embrace the internet of value.

Prometheum was initially incubated out of Gusrae Kaplan Nusbaum, a Wall Street based securities law firm. Since its inception, Prometheum has focused on embracing regulation and leveraged its roots and securities regulation expertise to develop an ecosystem that advances compliant capital formation.

Prometheum's team has been actively involved in digital asset and related regulatory issues since 2013. In April 2014, Prometheum's founders filed a no-action request with the SEC requesting permission to transact virtual currency in a brokerage account compliantly under the federal securities laws. In January 2015, team members participated in the initial crypto-security MIT/Harvard legal conference and were credited as contributors to the first regulatory framework for distributed organizations. From January 2015 on, team members have been actively involved in pioneering the use of digital assets in the consumer space. In



October 2017, Prometheus filed a no-action letter with the SEC describing how SSTs can be custodied in a clearing firm under the Customer Protection Rule 15c3-3 (LINK). Finally, in November 2017, Prometheus was the first company to publicly file a Regulation A+ SST with the SEC.

The multidisciplinary nature of the regulated cryptographic token universe requires genuine knowledge and expertise in offering, trading, clearing, settling and custodying securities SSTs, a 21st century asset class, and how each element within the securities life cycle interacts with an underlying blockchain.

Given its securities provenance and blockchain experience, Prometheus is uniquely positioned to usher in the 21st century of distributed finance.

## Prometheum

## Blockchain / Token Issuance

## Regulatory

**April 2014**  
Virtual Currency No-Action Letter Filed with SEC

**Jan 2015**  
Founders participate in initial Crypto-Security Harvard/MIT Legal Conference

**Jan 2015 – present**  
Core team members pioneers digital assets in the consumer space

**May 2017**  
Core Prometheum Vision established

**October 2017**  
Prometheum Formation No-Action letter filing with SEC

**November 2017**  
Reg A+ filing with SEC

**June 2018**  
Strategic partnership with Manorhaven

**November 2018**  
Wanxiang partnership and Hashkey investment

**2008**  
Bitcoin whitepaper

**July 2013 – Nov 2015**  
Foundational token offerings

**Nov 2015 – Aug 2017**  
ERC-20 ICOs

**Aug 2017 – present**  
Reg D / SAFT ICOs

**1946**  
Howey Test Established to determine the existence of an investment contract

**April 2012**  
JOBS Act

**Nov 2015 – Aug 2017**  
Issuers raise \$6+ billion through extra-judicial means (ERC-20s), violating many securities laws

**July 2017**  
SEC's DAO Report

**November 2018**  
SEC Statement on Digital Asset Securities Issuance and Trading

## 2019 and beyond

Prometheum vertically integrated blockchain-based securities ecosystem

# Prometheum Inc., Disclaimer

No money or consideration is being solicited by the information in this Whitepaper or any other communication and, if sent, money will not be accepted and will be promptly returned. No offer by a potential investor to buy our securities can be accepted and, if made, any such offer can be withdrawn before qualification of Prometheum's Reg A+ Offering by the SEC. A potential investor's indication of interest does not create a commitment to purchase the securities Prometheum is offering. Any such indication of interest may be withdrawn or revoked, without obligation or commitment of any kind, at any time before notice of its acceptance is given and all other requirements to accept an investment from a potential investor are met after the offering qualification date.

The Company's Reg A+ Offering, after qualification by the SEC, will be made only by means of the Offering Circular. Any information in this White Paper or any other communication shall not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of these securities in any state or jurisdiction in which such offer, solicitation or sale would be unlawful prior to qualification for sale as provided in Regulation A+ in any such state or jurisdiction.

You may obtain a copy of the Preliminary Offering Circular and the Offering Statement in which such Preliminary Offering Circular was filed with the SEC by visiting:

<https://www.sec.gov/cgi-bin/browse-edgar?company=Prometheum&owner=exclude&action=getcompany>

All information contained in this White Paper is subject to change.