

# DONUTCOIN White Paper

www.DONUTCOIN.io

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*Blockchain support for “direct to consumer” organic food. Organic and regenerative farmed food products as a direct redemption option for an Ethereum based crypto-currency*

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## 1. Introduction

We are proud to introduce the first ever direct to consumer organic food project to be funded by a cryptocurrency token. We are launching **DONUTCOIN** to support the production and distribution of organic donuts in the continental US. DONUTCOIN is an Ethereum blockchain derivative backed by a real product via direct redemption. These donuts are already in national distribution via Amazon.com.

<https://www.amazon.com/Carpe-Donut-Organic-Apple-Cinnamon/>  
[www.perfectharmonyco.com](http://www.perfectharmonyco.com)

By proving this model of capital access, token redemption, and market distribution for Carpe Donut, we can then easily replicate the process for similar producers. We will then bring additional organic food and regenerative farming products into a direct redemption cycle via related crypto-tokens.

This plan entails entering the cryptocurrency market and offering concurrent buy back. We will offer a stable asset to interested buyers, using the existing cryptocurrency model to access capital markets and provide crowdfunding capacity. DONUTCOIN will offer several unique advantages and features in entering the crowded market space of crypto derivatives. It is, at time of proposal, the only cryptocurrency offering to be directly redeemable for material goods by its issuing entity. This has the potential to give DONUTCOIN the stability and trust factors traditionally associated with “hard” currency” backed by tangible assets, such as gold or silver. (Ref: Sandcoin)

Often, the greatest hurdle facing a new crypto offering is raising public awareness to attract participants. The irony of a digital, hard crypto offering on the Ethereum blockchain, being connected to a soft, emotionally resonant food like a donut, represents an opportunity catch the public’s eye, and can lead to early adoption (ref: Coinye, Dogecoin). Humor is surprisingly valuable in marketing in the crypto and ICO arena.

**Objectives:**

- 1) Raise \$290,000 for financing the IT development work, ongoing blockchain and website support and maintenance, marketing budget, corporate administration, legal fees, and pre-positioning of inventory, production, and distribution costs for redemption of coins.
- 2) Incorporate automated web based exchange transactions via DONUTCOIN.io website, integrate with Perfect Harmony Co. for distribution and fulfillment.
- 3) Development of the distribution and shipping infrastructure to on-board additional organic and regenerative farming producers, to increase the impact and investor appeal of the ICO.
- 4) Integration of partners - including marketing these distribution and access to capital opportunities to appropriate producer partners nationwide.

The creation of an alternative system for the promotion, sale, capitalization, and distribution of organic food and regenerative agriculture products in the US, via the blockchain technology, will allow food producers, token holders, and the DONUTCOIN business development team to participate in the development of a new digital economy, for profit.

**Positioning:**

Carpe Donut LLC is the production and redemption partner, offering to back the issuance of the DONUTCOIN token. Carpe Donut has been a stable and profitable producer of organic food products for over 10 years. Carpe Donut has worked closely

with many other organic and regenerative food producers, and has excellent relationships in these communities locally and regionally. Jointly we have made efforts addressing issues of marketing, distribution, and capital access.

Carpe Donut and its distribution partner, Perfect Harmony, has recently demonstrated capacity to ship product overnight, on demand, using Amazon.com as our sales portal. Production capacity for this product has been demonstrated to exceed 100,000 donuts (4,167 shipping units) per month. This rate should be more than adequate to meet any reasonable rate of redemption of tokens, and can be easily expanded should adoption and redemption exceed initial estimates.

Many of the early adopters of digital currency and the crypto capital markets also recognize and are frustrated by the limited opportunities and access for organic food producers and regenerative farmers. The extent of this overlap in many ways defines the size of the initial market opportunity.

## **2. Problems**

There are two core problems which DONUTCOIN aims to solve simultaneously. Firstly, within the organic/regenerative food space, there are significant problems for high integrity food producers gaining access to working capital, following traditional distribution pathways, and growing to scale while maintaining product integrity. This problem is explored in more depth in Appendix A, and will be of most interest to those stakeholders interested in finding mechanisms to address these problems within the food landscape, or investors interested in assessing the scalability and reproducibility of the DONUTCOIN project.

Second, and equally compelling, is the challenge of providing a stable and uniquely attractive instrument to the crypto economy, which has been plagued by volatility as well as a proliferation of coins and tokens, offering varying degrees of utility and not easily differentiated by outsiders. DONUTCOIN begins by providing a unique form of transfer and redemption via our own website exchange, as well as grounding the value of the token to a real world commodity which has the potential to provide a “buying power” equivalence of value for the token. In addition, by beginning this process with a deeply familiar and friendly food commodity, we gain tremendous potential marketing value, especially key to standing out in a crowded market environment. The DONUTCOIN project is designed to aim for a relatively modest market capitalization, which should be easily reachable through the novelty value of the token by itself. Adding in the commodity based price stabilization of a pegged currency, and the emotional and value

based appeal of the organic and regenerative food mission is a belt and suspenders approach to meeting early stage goals.

### 3. The Project

- Resources/Team

DONUTCOIN was first envisioned by Matthew Rohdie, founder and owner of Carpe Donut LLC in Charlottesville VA. The first strategic connection was formed with Braid Development ([www.wearebraid.com](http://www.wearebraid.com)) confirming their readiness to develop a blockchain on the ERC20 standard, as well as the supporting website development based on the budget parameters, as listed below. Work with the Braid team is currently envisioned as a fee for service relationship.

Initial legal consulting has been through Woods Rogers PLC, a firm with extensive experience in ICO preparation and implementation. While it is unclear at this point if Woods Rogers will be available to develop this ICO, their overall guidance has been invaluable to date.

Marketing service have not yet been confirmed, but initial consultation with Flourish Digital Media is ongoing to define a scope of work for this project.

Still undefined is the role of CEO and/or CDO, to bring direct management and seed capital to bear.

- Budget

An initial budget of \$290,000 is proposed, to be allocated as follows:

1. \$80,000: Development team, initial implementation of website and ICO-ready blockchain, redemption/exchange, and initial management post ICO. No equity allocation for development at this time. This is a fee for service relationship. Ongoing development services will be allocated from project revenues to ensure reliability.
2. \$50,000: Carpe Donut LLC reserve for initial redemptions. These funds are to be held in an operating reserve, to cover the hard costs of the potential redemptions of the pre-ICO issued tokens. This is adequate to cover all real costs of over 3000 donut shipments, which reflects a pre-ICO sale of 300,000 tokens (100 tokens per redemption shipment). The post ICO target market value of each token is \$.35, so a pre-ICO sale of tokens at \$.25 can exceed 300,000 tokens without threatening the backing of the token by product. Carpe Donut LLC is to be a primary equity stakeholder.

3. \$30,000: Legal.. Formation of the operating LLC (or structure TBD) and governance elements. Insuring SEC compliance is likely to be an expensive sub- component of these services, particularly in light of confusing and ambiguous SEC warnings as of Jan 1 this year. Expected to be fee for service.
4. \$60,000 Marketing. This service is crucial to attracting appropriate attention to the project within the crowded market space of ICO's and crypto currency. Marketing services may also be directed towards engendering pre-ICO investment, making the development of the project amenable to incremental progress. This budget amount may also be balanced against equity considerations.
5. \$20,000 Engagement to other producers, development of a replication model. The long term vision of DONUTCOIN is the first of a series of organic food backed tokens, operating as a sub exchange to promote and stabilize crypto-adoption and organic and regenerative food production.
6. \$50,000 Reserve. These funds should be raised in order to incentivize the CEO/CDO, as well as to provide some buffer for overruns in other areas, and to address unbudgeted expenses critical to the launch of the project.

- Long Term Vision

DONUTCOIN should be the first of many crypto tokens following a pattern of direct redemption of high integrity goods via ERC20 smart contracts. By connecting the value of the token to familiar, desirable, edible goods, the value of these tokens should form a stable base of value. We expect these tokens to eventually trade against each other on an exchange, which can be developed using a portion of the capital raised by each token. A crucial aspect of this exchange must be a curation function, in which only high integrity producers are included within this “brand” of tokens. By maintaining consistency in this way, and making this type of capital access easy to adopt for these producers, a virtuous cycle can be attained. Investors should receive long term, stable returns, consummate to the risk undertaken in supporting these tokens.

#### **4. Implementation**

- The role of blockchain in the project

The role of blockchain technology (ERC20) is instrumental to the realization of the DONUTCOIN project. Braid was approached to be the technical team both for their understanding of the economic principles underlying the goals of DONUTCOIN, as well as their embracing of the ERC20 blockchain as a stable and well understood technology capable of providing appropriate smart contracts for what is, in effect, a simple promise of goods to be delivered upon redemption of the token. After initial funding has been

secured, the Braid team has estimated that 2-4 months will be required, employing 2 full time coders, to produce our blockchain, develop the company website both for token exchange (back end) and provide a clean marketing and promotion website. The cost estimate of \$60,000-80,000 also provides for ongoing maintenance of the release through the ICO phase, and development of an interface to provide secure data for product fulfillment upon redemption of the tokens. While the redemption of the tokens seems simple, navigating the privacy concerns, through embedding delivery data into the blockchain, to only be decrypted at the point of redemption by the issuing agent, is a significant challenge, and will be a primary goal for the development team.

- Stages of Project Implementation

First stage:

- 1) Fundraising, define participants, development of corporate structure.
- 2) IT development for crypto coin release.
- 3) Pre-positioning of assets for token redemption.
- 4) Legal structure and documentation, file LLC.

Second Stage:

- 1) Pre ICO Token sales (secondary investment).
- 2) Marketing implementation
- 3) Pre-position additional organic producers

Third Stage

- 1) ICO
- 2) Demonstrate token redemption cycle, cash reserve system.
- 3) Follow up initial DONUTCOIN.io with alternate organic food tokens
- 4) Organic food crypto exchange

## **5. Conclusion**

DONUTCOIN is a unique opportunity to do good while doing well. The token's primary value is derived by marrying the strength of a pegged currency, the social value of organic and regenerative food production, and proven cryptocurrency technology to access capital via true consensus crowdfunding and investment. DONUTCOIN is a project with several synergistic components, any one of which would be compelling as the basis of a successful ICO.

**Appendix A:** Must Access to Capital Lead to Product Adulteration?

*A deeper dive describing the problem and opportunity to bring a path to operating capital for high integrity producers:*

A significant market opportunity exists in the area of food production, generally described as “organic food” and “regenerative farming”. For the last decade, these food products have been the fastest growing segment of the US food economy. Simply put, American consumers have become aware that there is something gravely wrong with conventional food offerings, and are gravitating towards options which represent healthier and more sustainable food. They are also becoming increasingly suspicious and savvy in differentiating food integrity from “greenwashing” and marketing tricks. Unfortunately, there are significant market forces which create barriers to new food companies effectively entering the marketplace to provide the desired alternative options to the mass market. When such products and companies emerge, they are immediately subject to the competition of products produced by competitors which have increasingly used marketing methods to present their products a “natural”, but which are the products of consolidation and vertical integration of food production. This competition does not even have to employ unethical practices (though it often has) to present near insurmountable barriers to entry to companies which are not well supplied with starting capital, whether or not they are profitable at inception.

These new companies are then faced with a very difficult choice. Stay out of traditional distribution and grocery ecosystems, or bring outside capital to bear on the problems of scale, marketing, and price competition in order to gain market access. In the latter case, most companies will rapidly enter a cycle which inevitably trends towards a build-operate-transfer approach. Either through the loss of control to new stake holders, or because the founding producer is soon to exit the industry, the final result is almost always the same: adulteration of the food product which was the purpose of the enterprise in the first place.

Legacy distribution systems (grocery chains, distribution companies, food brokers) are an integral part of this cycle. Slotting fees, holdbacks, disadvantageous contracts, and hidden costs make these systems particularly difficult to navigate for new food producers, who are often the very innovators who are most enthusiastically received by consumers. The problems faced by high integrity food producers are then compounded by a final near-insurmountable challenge; lack of access to working capital. Even successful contracts with distribution companies and grocers does not ease this particular pinch. These agents of the system are notable chary of providing anything like a binding sales contract to a small scale producer, the only potentially useful tool to assist small producers in securing bank finance to be able to successfully meet the accelerating capital demands of this systems. This quickly forces most producers into

the BOT cycle, which leads to adulterations and an ultimately unmet consumer demand, hence a market opportunity.