

Introduction of XLEO: Bridge Currency for Private Branded Currencies

Information about Token Generating Event of Pre-XLEO Token

Final Version

October 12, 2017

Table of Contents

1	XLEO and How it Contributes to the Leondrino Vision	4
1.1	Motivation and Original Idea of Leondrino	4
1.2	Vision of Leondrino Exchange	4
1.3	Value Statement of Leondrino Exchange	4
1.4	XLEO and the Pre-XLEO Token (PXLT)	5
2	Sustainable Trust – The Leondrino Approach	6
2.1	Leondrino Concept Overview	6
2.1.1	Attributes of Leondrino in Comparison with Bitcoin and Fiat Currency	7
2.2	Balance Between Community Building and Raising Money	7
2.3	Description of Leondrino Life Cycle	8
2.4	Stealth Phase	8
2.5	Initial Consumer Engagement (Start Up Situation)	8
2.5.1	Initial Token Offering (ITO)	9
2.5.2	Factors During Initial Consumer Engagement Phase	9
2.5.2.1	Vision Factor Event	9
2.5.2.2	Early Bird Factor Event	9
2.5.2.3	Momentum Factor Event	9
2.6	Seed Circular Economy	9
2.6.1	Initial Coin Offering (ICO)	10
2.6.2	Growth Circular Economy	10
2.6.3	Initial Leondrino Offering (ILO)	10
2.6.4	Post ILO	10
2.6.5	Sustainable Circular Economy	11
2.6.6	Exit	11
3	XLEO– The Native Currency of the Leondrino Ecosystem	11
3.1	Purpose of XLEO	11
3.2	Reserve Requirements for Leondrino Currencies	11

3.3	Distribution of XLEO	12
3.3.1	Distribution Overview.....	12
3.3.2	Contribution to the Leondra GmbH via Pre-XLEO TGE.....	13
3.3.3	Direct Contributions to Leondrino Exchange, Inc. or its Licensees via XLEO Presales Contracts.	14
3.3.4	Expected Distribution of XLEO for the First 3-5 Years	14
3.4	Overview of Rules for XLEO as Bridge Currency	15
4	Stability of Leondrino Currencies	15
4.1	The Leondrino Algorithm	15
4.2	Reserves and the Investment Policy	15
4.3	Governance of Leondrino Exchange, Inc. and Leondra GmbH.....	17
4.3.1	Board of Directors.....	17
4.3.2	Relationship between Leondrino Exchange, Inc. and Leondra GmbH	18
4.3.3	Supervisory Board of Leondrino Exchange	19
4.3.4	AUTONOMIA.....	19
4.3.5	Associated Company (Brand Owner) of the Leondrino Currency	20
4.3.6	Monetary board (per Leondrino Currency)	20
4.4	Liquidity Concerns	20
5	Technology	20
5.1	Development Goals	20
5.2	Consortium DLT Solution vs Public Chain	21
5.3	Leondrino Wallet.....	21
5.4	Further Information for Partners	21
6	PXLT Token Issuance	22
6.1	PXLT Token Sales	22
6.2	Token Details XLEO and PXLT.....	22
6.3	Details of PXLT TGE	22
6.4	Official Resources.....	23

1 XLEO and How it Contributes to the Leondrino Vision

1.1 Motivation and Original Idea of Leondrino

The origins of Leondrino – a new category of private branded currencies - trace back to the idea of searching for a fair financing and monetization opportunity for new ideas and innovative teams in 2011. The goal is to draw attention to these interesting ideas and to provide these innovative teams with funding as early as possible. The music industry was the original focus of the team behind Leondrino and serves as a prime example:

The *Leondra music* Business Platform was developed to give an artist all the necessary tools to be successful on the booking and marketing side so that the artist could focus on what really matters – being creative and perform on stage. To complement effective marketing, a type of loyalty program has been conceived. According to this initial concept, early in the artist's "lifecycle", a token is created for the first fans, some given away to stimulate interest, and purchase of more tokens. Imagine, as the artist's popularity grows, valuable items and exclusive experiences such as concerts with a small, VIP audience can be purchased, but only with the artist's tokens. This approach will connect the artist closer to fans while at the same time serves as a financing and marketing tool.

Applied to a bigger picture, this idea is a lot more powerful. Organizations, commercial companies, groups and even individuals can build up a community of followers and supporters combining community building and big data approaches to enable open infrastructures for organizations.

Part of the execution challenge of this idea is to create a design and enable user interactions that can appeal to the mass market. The underlying business goal is to organize the processes related to financing the organization, company or group that drives funding in a way that is easy to understand and delivers value to followers, supporters and fans. The processes and transactions must be simple to execute, minimizing barriers to participation – paving the way for a more readily accepted optional form of money for large numbers of people.

1.2 Vision of Leondrino Exchange

Our vision can be stated simply: Leondrino Exchange aspires to become the most trusted issuer of private branded currencies for startups, enterprises of all sizes. While the number of digital currencies especially pure cryptocurrencies has grown considerably during last 12 months – and continues to grow, we want to set ourselves apart from the rest by offering stability, quality and clear accountability. We care for the currencies we issue and want these privately branded currencies to be thought of as a complement – not a substitute – for government-backed fiat currencies. The term we use for this is Currency Management-as-a-Service (CMaaS). This means that we want to support the companies behind the brand to achieve the goal they set for their currencies. The level and intensity of this service is determined by the specific terms of agreement between the Brand and Leondrino. Founded at the end of 2014, we initially focused on development of our first pilot opportunities, drove political and legal acceptance and adoption of digital (virtual) currencies and prepared for the registration and application of Leondrino with the responsible regulatory authorities in Europe and the US market so that we are aligned to issue fully tradable Leondrino for our startup and enterprise customers to the public in the future.

1.3 Value Statement of Leondrino Exchange

Leondrino Exchange's core values are centered on providing as many people as possible with "Good Money". From our perspective, Good Money has the following characteristics

- Good Money should derive its value from real goods and services.
- Good Money must allow for the rapid exchange of goods and services with close to zero transaction costs to the buyer or seller.
- Good Money should be reasonably stable.

- Good Money should be flexible.
- Good Money should clearly reflect and represent the value of goods and services.
- Good Money exchanged in a transaction should be transparent and represent relatively equal values of goods and services.
- Good Money should represent a certain “standard of value”.

In a series of articles (see <https://www.leondrino.com/category/newman-banks/>), we have explained what the meaning of these characteristics is, how they contribute to stable currencies and how all current implementations of money fail to meet some of the characteristics.

At Leondrino Exchange we are committed to meet our obligations based on the monetary policies agreed with the brands and communicated to the public.

Moreover, we are committed to the highest ethical standards. This includes the use of many algorithms, including, among other valuable safeguards, the detection of money laundering schemes and terror financing. Also, regular inquiries and searches into these issues will be undertaken to ensure that our best efforts are being made to minimize the risk that the digital currencies will not be misused.

An important goal of our work is to build our software so that it can meet the legal requirements of the leading international financial services markets (including New York, London, Frankfurt, Tokyo, etc.). This software is the key to providing access to powerful digital currencies to many people all over the world. For the first time, Leondrino Exchange will lift the underlying technology of digital currencies to a platform which can provide authorized use by many users and can permit participation via multiple potential applications.

Finally, we want to state that Leondrino Exchange will be driven by common sense – a combination of state-of-the-art algorithms, security and human control loops organized by representative governance. While we believe in the power of automation and algorithms, we believe that fundamental human control over technology is essential to achieving the monetary goals of the privately branded currencies. In fact, we do not support an uncontrolled laissez-faire environment of digital currency without any control or accountability, but rather we support clearly stated goals and enforcement of those goals as agreed upon between Leondrino Exchange and each contracted brand’s organization. Leondrino Exchange wants to be seen as a reliable provider of a good that people will trust.

1.4 XLEO and the Pre-XLEO Token (PXLT)

One major element of the realization of the Leondrino vision is the issuance of Leondrino Exchange’s own privately branded currency, called XLEO, as a bridge currency. With the issuance of this currency the following goals will be achieved:

- Enable liquidity, especially for emerging Leondrino currencies
- Build initial reserves, in addition to fiat reserves that will be built when Leondrino currencies are issued
- Use the income of the XLEO issuance to finance software development of the Leondrino ecosystem (the Leondrino ecosystem is also called Leondrino Network) including its setup costs of the Leondrino Exchange as future issuer of Leondrino in the US, and licensees of its brand and IP in legal spheres outside of the US.

It is planned to issue the XLEO as part of a public coin offering as soon as all questions around its regulatory classification and its appropriate registration are answered and the Leondrino MainNet is ready

for this step. The Leondrino MainNet is the final target platform for the Leondrino Network and will be established on the basis of a consortium DLT (Distributed Ledger Technology) initially (see chapter 5.2).

To foster faster software development and fund the application processes to become an issuer and administrator of XLEO in different legal spheres, a limited volume of the future XLEO supply will be issued via a public blockchain network as Pre-XLEO Token (“PXLT”). PXLT is an interim token. PXLT will be exchanged for XLEO after the launch of the Leondrino MainNet.

2 Sustainable Trust – The Leondrino Approach

2.1 Leondrino Concept Overview

Leondrino Exchange is offering its services to brands. Each Leondrino will be created and issued under the name of each respective brand.

In contrast to other currencies based on cryptocurrency technology, the overall supply of **Leondrino Currencies** is not managed only by an algorithm and is not fixed in total volume. The supply is managed based on a transparent monetary policy agreed upon between the enterprise owning the brand and **Leondrino Exchange**. Based on this monetary policy, **Leondrino Exchange** (in particular, the **Autonomia** – see chapter 4.3.4) manages the supply using transparency about past transactions and other relevant parameters. This supply management is supported by means of technology through our “**Leondrino Algorithm**” and the support of a monetary board, for each currency, that adjusts long-term criteria and goals of the monetary policies and intervenes in cases of extreme market conditions. With this approach, **Leondrino Exchange** is addressing the challenge of high volatility of currency exchanges that are common with today’s popular cryptocurrency implementations.

In addition to their current touch points, brands can also seamlessly reach consumers (their clients and fans) via Leondrino Exchange. Consumers who use Leondrino Currencies for purchases are rewarded with exclusive loyalty advantages. These advantages, in combination with other Leondrino-based loyalty initiatives, will enable increased consumer reach, even on a global scale – including increased monetization and greater insight into the brand’s consumer base.

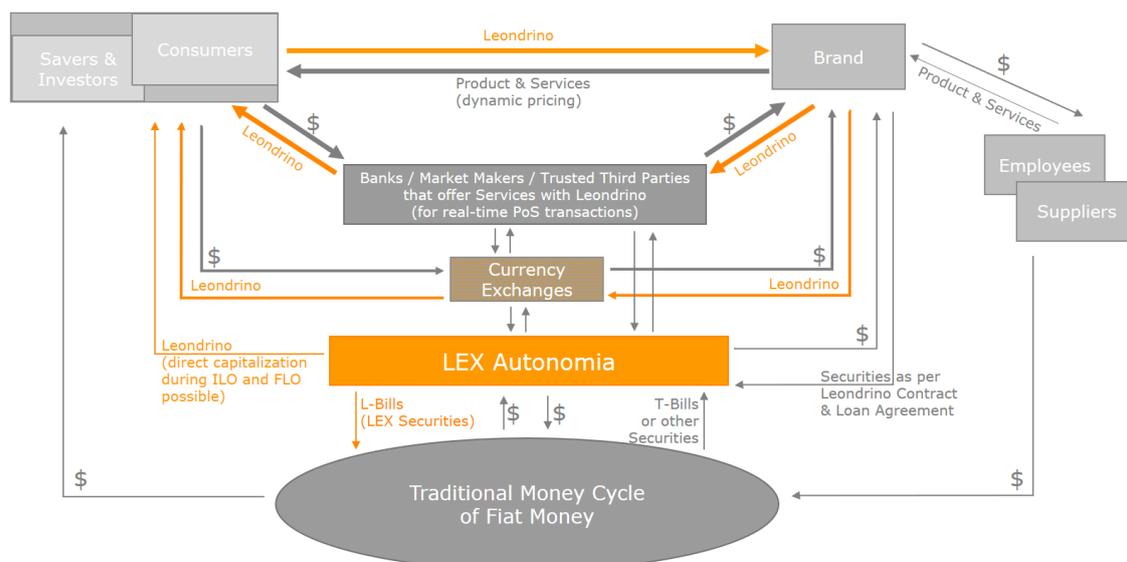


Figure 1 - Leondrino Circulation – long-term view after first ILOs

Just the same as fiat currencies of governments' central banks, a branded currency is subject to life cycle management. This life cycle is characterized by the power and potential of the associated brand, the strict monetary policy for the respective Leondrino, the consumer acceptance, and investor interest.

Compared to Bitcoin, whose maximum quantity is absolute and limited, Leondrino is pursuing a dynamic monetary policy defined by the number of the brand's respective consumer base, business dynamics and transactions. The goal is to minimize unwelcome volatility. As part of the approach, a part of the fiat currency raised at Initial Leondrino Offering (ILO – which is the event of a public offering of a Leondrino currency) will be kept as a reserve. This reserve will be, within defined boundaries, increased or decreased automatically. In case of strong volatility, an intervention of designated market experts that participate in the “Monetary Board” is performed.

2.1.1 Attributes of Leondrino in Comparison with Bitcoin and Fiat Currency

Attributes of Different Currency Strategies and Implementations	Leondrino	Bitcoin	Fiat
Dynamic management of money supply based on monetary policy - reduced volatility	yes (private)	no	yes (public)
Free of political influence on money supply - reduced inflation risk	yes	yes	no
Backed by a liable partner - reduced risk of total loss	yes (private)	no	yes (public)
Money issuance only with one legal entity (excluding also retail banks) - reduced risk of uncontrolled money supply	yes	no	no
Global strategy of the currency application - reduced currency exchange risk	yes	yes	no
Loyalty based dynamic pricing through better data possible - better customer relationship management	yes	partial	no
Low transaction fees - reduced costs	yes	yes	no

Figure 2 - Attributes of different currency strategies and implementations

2.2 Balance Between Community Building and Raising Money

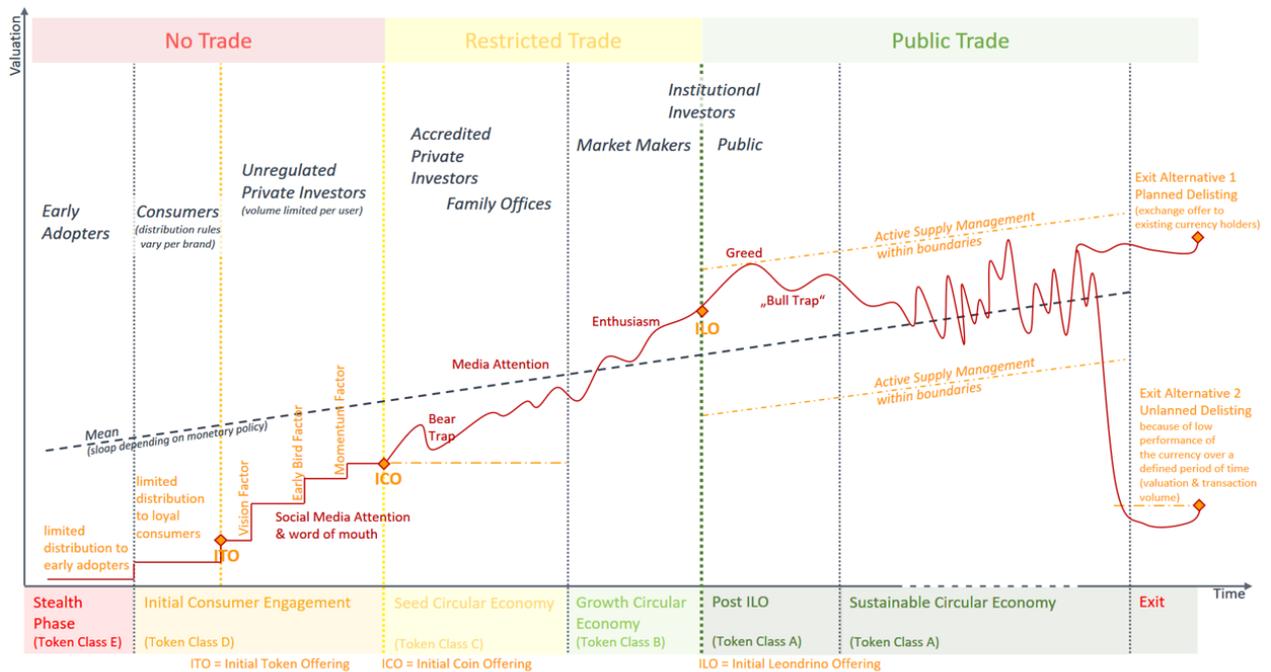
Using an Initial Coin Offering (ICO) to finance a company or a team of developers and to start a new ecosystem is becoming very popular, especially in the niche of blockchain startups. According to CoinDesk data, blockchain entrepreneurs have raised \$327m between beginning of 2017 and June 9th, 2017. Especially VCs understand the trend and are actively investing in the new asset class of cryptocurrencies.

There is a high risk, however, that the new ecosystem is too dominated by only a few investors. This can lead to high volatility. Moreover, there is risk that the business model of the underlying brand does not work because it is not used and accepted by enough people and organizations of the targeted audience. If the new private branded currency is not issued by an already established big brand, the Leondrino approach will require a step-by-step approach, which emphasizes community building first – before engaging in raising money. In the earliest stage for smaller brands, community building and establishing a prime target group is most important. In the following section, the Leondrino lifecycle is explained.

2.3 Description of Leondrino Life Cycle

Leondrino Life Cycle

(standard)



© Leondrino Exchange, Inc. – Q4, 2016 / Q1, 2017

Figure 3 - Standard Leondrino Life Cycle without Follow-on Leondrino Offerings

2.4 Stealth Phase

The first phase, called Stealth Phase, is used as a market test phase. Early adopters can express their interest in a branded currency of their favorite brands by setting up an account related to the desired brand in their Leondrino Wallet. They can earn a limited number of Leondrino Tokens of token class E by inviting their friends to sign up for a Leondrino Wallet and expressing their interest in branded currencies as well. Leondrino class E tokens only gain value if the selected brand will decide to issue a private branded currency via Leondrino Exchange, or when the brand buys those tokens from the users for marketing purposes. If Leondrino Exchange gets the chance to issue the branded currency of the selected brand, it will also ensure that tokens owned by those early adopters have the right to be upgraded into class D tokens. There are no other securities, neither from the brand nor from Leondrino Exchange and the distribution is limited per user.

2.5 Initial Consumer Engagement (Start Up Situation)

The second phase, called Awareness Phase, is used to initially engage consumers with the brand's goal for its future branded currency. In this phase, brands distribute a limited number of Leondrino Tokens of token class D to its loyal users as an incentive. Class D tokens are backed by contractual promise of the associated brand for future benefits as determined by the loyalty behavior of its consumer recipients. Those benefits will be defined individually per brand. Class D tokens have the right to be converted into class C tokens when this phase has been completed. In addition, all required personal data of the owners of class D has to be provided to the brand as prerequisite for the class D tokens to be become class C tokens, and for those when the tokens become eligible to be unlocked for restricted trade functions during the subsequent Seed Circular Economy Phase and its class C tokens. There are no other securities. Trade of those class D tokens is still not possible.

During this phase, the brand and its branded Leondrino gets attention in social media channels and through word-of-mouth recommendation triggered by the following events during the initial consumer engagement phase:

2.5.1 Initial Token Offering (ITO)

An ITO initiates the sale of Leondrino Tokens of token class D. Buying such Leondrino Tokens is always a betting on the future and is limited in volume per user and transaction (e.g. a maximum 20 tokens per transaction and a maximum of an equivalent of 1200 USD per year per user) and therefore still doesn't fall under any regulation of financial services. With the ITO, also unregulated private investors will join the ecosystem of the brand.

2.5.2 Factors During Initial Consumer Engagement Phase

Factors are special marketing events during the Initial Consumer Engagement phase where consumers are rewarded for the initial contribution to the success of the brand. The factors are achieved when the related threshold is reached (e.g. 1.000 tokens for threshold 1, 10.000 tokens for threshold 2 and 100.000 tokens for threshold 3). A receiver or buyer of class D tokens can only increase the number of tokens owned by

1. successful referrals to new users,
2. sponsored distribution of tokens by the brand based on loyal behavior and
3. limited buying opportunities.

Fast- growing brands or brands with an already big large user base (consumers/fans) have the best opportunity to pass the Consumer Engagement Phase successfully. To support the brands in their effort to attract users, three factor events detailed below, are offered as a standard tool with standard terms which will be strongly supported by many Leondrino Wallet functions, along with parallel marketing communication.

Because early contribution does have more value than later contribution, the factor value will decline over time.

2.5.2.1 Vision Factor Event

After the ITO, the Vision Factor Event is the first factor event where the number of Leondrino Tokens owned by a user is multiplied with the vision factor (usually 2). The event is triggered when the "Vision Threshold" for this branded token is reached.

2.5.2.2 Early Bird Factor Event

The Early Bird Factor event is the second factor event where the number of Leondrino Tokens owned by a user is multiplied with the early bird factor (usually 1.5). The event is triggered when the "Early Bird Threshold" for this branded token is reached.

2.5.2.3 Momentum Factor Event

The Momentum Factor event is the third and last factor event where the number of Leondrino Tokens owned by a user is multiplied with the momentum factor (usually 1.25). The event is triggered when the "Momentum Bird Threshold" for this branded token is reached.

2.6 Seed Circular Economy

The third phase is called Seed Circular Economy and starts with the Initial Coin Offering ("ICO"). This phase is characterized by permission for restricted trade within the Leondrino Ecosystem. Buying branded

coins using national currencies is allowed, but limited in volume per user and volume per transaction. The overall limit of owned tokens per person will be substantially increased. Depending on the owned volume per person, KYC rules (“Know Your Customer” rules) will be applied and enforced. Selling of branded coins is only possible for a price at or above the ICO price and is also limited in volume per user and volume per transaction. The Leondrino Coins might be used to purchase selected goods and services of the associated brand based on a very limited offering – forming the initial catalog of the brand.

2.6.1 Initial Coin Offering (ICO)

An ICO in the Leondrino context is the introduction of token class C; meaning, Leondrino Tokens switch from token class D into token class C and are called Leondrino Coins from now on. After the ICO use of Leondrino Coins to buy goods and services of the associated brand and of restricted trade within the Leondrino Ecosystem is permitted and supported. Accredited private investors and family offices are permitted to participate in the ICO and post-ICO purchase and transactions.

2.6.2 Growth Circular Economy

The Growth Circular Economy is characterized mainly triggered by

- Reduction of trade limits such as transaction value and downward cap will be eliminated
- Total volume limit held by one owner goes up even further
- External Wallet and Exchange providers get the chance to participate based on a certification process of such providers (must be able to comply to the trade and reporting restrictions of Leondrino Exchange)

The Leondrino Coins transition into token class B. In this phase, market-makers as well as first institutional investors are able to participate. Leondrino Coins are exchangeable for national currencies based on the exchange rate within the Leondrino Ecosystem (internal and accredited external exchanges) but trade still has some restrictions. Leondrino Coins can be used to purchase a wider offering of goods and services of the associated brand.

2.6.3 Initial Leondrino Offering (ILO)

An ILO is the introduction of token class A and with that the public issuance of a brand’s Leondrino Currency. Sales of Leondrino Currency and public trade begins. Trading mechanisms and rules are close to what is known in the current foreign exchange trade.

An ILO is procedurally comparable to a traditional Initial Public Offering (IPO) on a stock exchange and is used to attract additional, more conservative investors.

2.6.4 Post ILO

The fifth phase, called Post ILO Phase, follows directly after the ILO. This phase is characterized by the ability to publicly trade the branded Currency. The money supply of the Leondrino Currency is actively managed by the Leondrino Algorithm and the Monetary Board (see chapter 4.3.5 for details) of that specific Leondrino Currency, which follows the predefined monetary policy agreed upon by Leondrino Exchange and the brand. The Leondrino Currency (token class A) is exchangeable with national currencies based on a market based exchange rate. The Leondrino Currency will be used to purchase all products, goods and services of the associated brand. The brands must offer their goods and services in their brand.

During the Post ILO phase, there are still some restrictions regarding volume of transactions for big investors (e.g. rules for market-makers) and an extra degree of intervention opportunities for Leondrino Exchange. Those rules are necessary to give the management of the currency supply the tools to avoid extreme volatility.

2.6.5 Sustainable Circular Economy

The last phase is the steady state of a publicly traded Leondrino Currency with an active supply management and is called Sustainable Circular Economy. Now highly regulated institutional investors like insurance companies and pension funds can participate.

2.6.6 Exit

If a brand ceases to exist, the associated Leondrino will be taken off the market, but only after all collateral has been liquidated, and all reserves for this currency have been returned to its Leondrino holders. The delisting of a branded currency at Leondrino Exchange happens also if both the reference value to the fiat currency US Dollar and the trading volume of this branded currency drop below a defined minimum value for a longer period of time (as pre-defined in general rules of Leondrino Exchange).

3 XLEO– The Native Currency of the Leondrino Ecosystem

3.1 Purpose of XLEO

The single most important form of activity of Leondrino Ecosystem is to execute transactions between a consumer and different end points of the sales channels of brands (merchants of “brick and mortar” shops or eCommerce shops) using private branded currencies and considering individual behavior and status for dynamic pricing in real time at the point of sale.

The XLEO is the native currency of the Leondrino Ecosystem. Besides its purpose to make the most important form of activity as seamless and fast as possible, it serves a few other goals. Its most important function is that of a bridge currency which enables transactions of Leondrino (of all kinds), especially those with limited volume and low liquidity. This significantly reduces their volatility and makes them a full member of the system of privately branded currencies of the Leondrino Ecosystem. In fact, when there is a shortage of liquidity, the XLEO is one option to fill this gap, and thus making transactions possible with a very limited response time which would otherwise be impossible. This function of XLEO will enable Point of Sale transactions of Leondrino in a typical consumer environment where an exchange might be necessary to pay in the required currency. This can be accomplished, especially for a very limited cost transaction, promptly for a charge that is paid at check-out simply by waving a cell phone past a reader (RFID or NFC enabled). This function of the XLEO is limited to typical consumer transactions where liquidity shortage can be resolved. XLEO will not completely replace other organization and means to provide liquidity, especially for high volume transactions that are not typical in a consumer environment.

The other main function of XLEO is that it is working as a source of funding for Leondrino Exchange. The revenues of the emission of XLEO are income to Leondrino Exchange which will be used to a large extent to fund the liquidity providing function of XLEO and the stability of Leondrino currencies. The part that serves as income has a desirable property that the amount of XLEO issued corresponds to the market capitalization of Leondrino currencies. This is a direct alignment of incentives as the amount of income to Leondrino Exchange depends on how successful its currencies are.

Another function which will become more dominant over time is the role of XLEO as reserve currency as described in the next section.

3.2 Reserve Requirements for Leondrino Currencies

One of the most important contributors to the stability of Leondrino Currencies is the reserve of FIAT currencies, the XLEO, and the Leondrino Currency itself, which are used to buy and sell the Leondrino currency to stabilize its market value. In fact, the amount of such currencies is determined by the amount of stability the owner of the brand is going for. At the beginning of the lifetime of Leondrino Network, most of the reserves are to be in FIAT currencies, but as Leondrino Network progresses and more trust in XLEO is established, the percentage of XLEO will increase.

At this point the question of how the price of XLEO is determined is a critical issue. The goal in the long run is to allow the forces of the market to determine it. In order to achieve this, a certain number of successful Leondrino Currencies has to be established in the market. Initially, using XLEO shall be limited to the few main use cases mentioned above. The XLEO will serve as an important bridge and settlement currency with external exchanges and settlement layers which deal in Leondrino. Therefore, interfaces with these stakeholders are built.

At a later stage, once significant trust is established in the XLEO, it might become a stable parallel currency that is used for exchanges between Leondrino currencies and other currencies (FIAT and cryptocurrencies).

3.3 Distribution of XLEO

3.3.1 Distribution Overview

The distribution of XLEO is done in different forms depending on the target group, its contribution to the Leondrino Network and the phase of the lifecycle of the XLEO and first Leondrino currencies including their legal status. In general, we distinguish between the following forms of distribution during the initial phase of XLEO introduction:

1. Freemium distribution to stakeholders who strongly support the development and growth of the ecosystem via software development, PR and other concrete efforts (Leondrino Core Team including its key suppliers and partners) and for successful referrals (consumers),
2. Distribution of Pre-XLEO Tokens (PXLT) via a Token Generating Event (TGE) in crypto-money (early investors who are allowed to invest in such an asset class)
3. Distribution via restricted private presales in fiat currencies to strategic investors who will offer Leondrino currencies to their customers as soon as legally possible and who have a chance to benefit from the usage of the XLEO currency mid-term and
4. Distribution via public offering of XLEO to investors who expect a return based on an increase of the exchange rate of XLEO with other currencies or who also benefit from the function of XLEO.

All the afore mentioned distributions are strictly limited in volume.

Target Group	Contribution	Attributes and Remarks	Governance	Total Volume of XLEO Token for Target Group
Consumers	Successful referrals (new Wallet users)	Consumers can decide if they want to select Leondrino of brands or XLEO Limited in volume per user	Administrated via Leondrino Exchange, Inc. and its licensing partners in other countries/legal spheres	10 M
Leondrino core team including founders and	Software and product development, marketing, legal and	- Vesting over 4 years; cliff with XLEO public	Issued and administrated via Leondrino	20 M

angel investors	regulatory consulting, support during seed phase	offering (protects investors in PXLT) - Only 25% of the total volume for the Leondrino core team will be issued before the XLEO public offering	Exchange; later on the Leondrino MainNet via appropriate smart contracts	
Strategic investors via presales of XLEO	Sales support during Initial Leondrino Offerings; Commitment to trade Leondrino as soon as legally possible	Substantial discounts initially; discounts will shrink with its proximity to the public offering of XLEO	Presales contracts on future XLEO between Leondrino Exchange and interested investors	220 M
Crypto Investors and ICO Funds via Pre-XLEO Token (PXLT)	Provide financial resources	Ether that will be exchanged with fiat money soon after TGE of the PXLT to fund the development of the Leondrino Ecosystem	Leondra GmbH is responsible for managing the funds as described in this whitepaper and the terms of the PXLT TGE	10 M
Investors during public offering of XLEO	Provide financial resources	Fiat currencies	Leondrino Exchange, Inc. or it licensees	1 B

Additional supply of XLEO only takes place in correlation with the volume of issued Leondrino currencies. For every Leondrino currency, a certain quantity of XLEO has to be set aside in order to provide the necessary liquidity and stability reserve. The amount to be set aside depends on fundamental characteristics of the Leondrino currency, for instance its turnover velocity. Typically, this quantity is between 10% - 30% of the market capitalization of the Leondrino currency. Only when the 1.26 billion XLEO limit is hit, new XLEO are emitted to accommodate for the new Leondrino currency. The dynamic supply will be done on the Leondrino MainNet using crypto- and smart contract functionality.

3.3.2 Contribution to the Leondra GmbH via Pre-XLEO TGE

The proceeds collected during the TGE of PXLT will be used mainly for the purpose of the software development of the Leondrino Platform. The Leondrino Platform comprises all relevant components and IT services that drive the Leondrino Concept of competing private branded currencies:

- Internal and external software and hardware components necessary to manage the lifecycle of Leondrino Currencies (or other value units) including all tools and services to meet the requirements of safety, privacy, security and regulation

- Shared services offered to stakeholders of the ecosystem (including its blockchain implementation and network)
- Integration with external actors using industry standards or interface blueprints.

Leondra GmbH shall use the funds primarily for the purpose of the development of the Leondrino Platform, to setup the Leondrino MainNet in at least one jurisdiction (Germany, USA, Switzerland) as soon as possible and to support the development of the Leondrino Ecosystem (Leondrino Network). Leondra GmbH has the right to engage subcontractors to perform the entire or partial development of the Leondrino Platform and its subprojects. Moreover, the proceeds can be used for legal, compliance related and other costs to set up and extend the team of Leondra GmbH as licensee for Leondrino Exchange in Germany and to strengthen its role as administrator of software development and operations around supply management of Leondrino Currencies. Moreover, part of the funds can be used for Leondrino Exchange, Inc. to become a licensed issuer and administrator of Leondrino in the US market - and to set up a Leondrino Exchange licensee in Switzerland. The goal is to be eligible to start the Leondrino MainNet in at least one of the three above mentioned countries middle of 2018.

The scope of the development work will be determined by the amount of contributions received. It remains at Leondra GmbH's sole discretion to decide how to allocate the contributions received to develop and execute the Leondrino Platform.

3.3.3 Direct Contributions to Leondrino Exchange, Inc. or its Licensees via XLEO Presales Contracts

Direct contributions to Leondrino Exchange or its licensees are possible via presales contracts prior to the XLEO public offering. Those direct contributions are reserved for investors with a minimum contribution of USD 5 million. Those contributions will be used

- for the same purpose as the initial contribution via the Leondra GmbH and
- to build sufficient reserves before the first ILOs and prior to the public issuance of XLEO.

Those reserves will be built to meet the legal requirements for services of FinTechs (esp. in Germany) as currently discussed at European Central Bank and the EU.

3.3.4 Expected Distribution of XLEO for the First 3-5 Years

The goal of the XLEO is to support the private branded currencies, provide liquidity to them and eventually to serve as a reserve currency. With the condition to keep the price of one XLEO close to the conventional understanding of the numerical value associated with the world's largest/strongest currencies, all these goals can only be achieved when the amount of XLEO in circulation grows. Therefore, the amount of XLEO really depends on the growth of the company, in particular the market capitalization of the Leondrino currencies in circulation. We plan to have successfully launched at least 8 to 10 of such currencies to the public markets during the first 3 years. According to our internal estimations, the planned XLEO base line of 1.26 billion will be sufficient for its purpose and for those initial currencies. Should more XLEO be necessary later, a new charge of XLEO will be issued in accordance with the governance councils.

The envisioned distribution of XLEO after 3-5 years is therefore given by the initial distribution plus big blocks of successively issued XLEO.

In concrete numbers, we plan to issue new XLEO for every newly issued Leondrino currency. Currently we plan to issue 10%-20% of the market capitalization of the privately branded Leondrino currency in XLEO in order to support the currency's liquidity. The exact number depends on a variety of variables such as the turnover velocity of the Leondrino currency or the illiquidity of the currency, and will be computed for each Leondrino currency algorithmically and revised by expert judgement (see also chapter about Governance of Leondrino Exchange below).

3.4 Overview of Rules for XLEO as Bridge Currency

The function of XLEO as a bridge currency is vital to the liquidity of the whole universe of Leondrino currencies. It supports the transactions by customers at the point-of-sale where speed is a crucial issue. However, there are natural limitations to this. While low volume transactions by consumers do not influence the market price of Leondrino currencies, high volume transactions of traders or other (institutional) investors may do so. Therefore, the support of liquidity using XLEO is limited by the impact that a certain transaction (or a sequence of transactions) have on the market price of the Leondrino currency. If a transaction be considered as influential on the market price, then XLEO will not be used for transactions, but only the current limit-order book (i.e. the set of all currently active limit orders) and the other stability mechanisms that Leondrino currencies have.

4 Stability of Leondrino Currencies

4.1 The Leondrino Algorithm

The Leondrino algorithm is the core of the stability of Leondrino digital currencies. While the exact methodology of this algorithm is our business secret, we provide an outline of how it works.

At the inception of a private branded currency, the owner of the brand in cooperation with Leondrino Exchange define a monetary policy set for the new Leondrino currency via setting a goal on the degree of stability which it envisions for its currency and also on the measures of how this stability is quantified. Some examples for the latter can be the minimum amount that a unit of the currency should be worth, the degree by which the fluctuations shall be reduced, or a bandwidth of values where the currency should spend a high percentage of its lifetime.

Later in the lifecycle of the currency, the Leondrino algorithm dynamically alters the limit order book of the currency in order to achieve the established stability goal. It also computes the amount of reserves the company needs to submit to Leondrino Exchange which is necessary in order to achieve the stability goals. This works in both directions, up and down, of the current market price. The downside of the current market price is handled with the reserve of FIAT currencies and XLEO, effectively contracting the number of issued Leondrino currencies, and the upside is handled with XLEO and the Leondrino currency itself. This alternating, based on the limit order book, is done to stabilize the Leondrino currencies, and it is done in a way to discourage arbitrage opportunities to other market participants.

4.2 Reserves and the Investment Policy

Due to legislation and for risk-management purposes, Leondrino Exchange is required to keep a certain amount of each ILO as reserve, which is composed of fiat currency, XLEO and the Leondrino currency itself. The exact amount that it keeps is part of an internal algorithm, subject to a lower boundary of 10%, given by the legislation on digital currencies on the horizon (see BitLicense framework for virtual currency of the New York State Department of Financial Services).

This reserve will have to be invested in a reasonable way to make sure that it serves the risk-management function and additionally in case of a failure of a currency serves as a minimum recovery. Due to the nature of private currencies, quite a few factors have to be taken into consideration when investing the reserve:

1. The maturity of the currency. On average, a stock is listed seven years on a traditional stock exchange. Transferred to the situation of private currencies, this means that there is a lifecycle of the currency influenced by the associated brand and the maturity and quality of its products.
2. Liquidity and margin considerations. If a currency is eliminated, then the whole amount has to be available short notice. In particular, there should be no fire-sales effects when selling the investment securities. Moreover, the same applies when the volume of the currency is reduced. When the

currency is actively used for trading against the basket¹, then this yields to a small reduction of the currency volume. Therefore, the securities (at least a substantial part of it) should be fairly liquid and divisible into small amounts. Moreover, at the end of the lifetime of a currency or after a significant reduction in volume, sales should be done without big impairments

3. The reserve does not belong to Leondrino Exchange. Instead, as it is part of the recovery, it belongs to the holders of a private currency. Therefore, this money should not be invested in assets with inappropriately high risk. Moreover, Leondrino Exchange upholds ethical standards and does not want to invest in securities which reasonable people may find offensive or unethical. In addition to that, since it is a reserve on a private currency issued for a private company, certain restrictions may apply with respect to investing in competitors.
4. Leondrino Exchange does not intend to make a high profit with the reserves but rather secures its value. This implies that we do care about cost-efficiency when it comes to the management of these reserves. Related to that, Leondrino Exchange will avoid investing large proportions into single securities, but rather uses a broad diversification strategy.
5. In an effort for transparency, Leondrino Exchange will lay out a clear governance structure and agree on important investment decisions with its advisory board on a regular basis. Investment prohibitions of associated brands will be respected and controlled.

Leondrino Exchange puts emphasis on basing the investment decisions in financial theory and research. The basic idea of the investment strategy is trying to maintain a purchase-power adjusted value of the fund with accepting fluctuation of the market values, but aiming at a strategy with a low general level of risk with high liquidity. A high return on the reserves is not the top priority.

A typical portfolio decomposition might look like this:

Securities	Percentage	Comment
US Treasury Bonds	30 - 40%	Given by legislation
OECD Treasury Bonds	20 - 25%	
Other Country Treasury Bonds	10%	
Equities	20%	As index funds using passive management with low costs
Other Funds	0% - 5%	
Private Currencies	0% - 20%	For risk-management purposes

¹ Basket in the Leondrino context means a group of products or services of the associated brand traded or tracked as one unit for broad measurement.

We plan to review these percentages on a monthly basis, and rebalance if they are off by 3% to 5%.

Return Objective

Leondrino Exchange aims for a return between inflation + 0.5% and inflation + 1%.

Risk Tolerance

Leondrino Exchange has a below-average risk willingness to take risk

Restrictions

As explained above, there are restrictions with respect to liquidity and time horizon. Leondrino Exchange will be taxed as company and therefore a part of the gain will be taxed, which is not a significant concern since we only want to stay just above inflation.

The legal and regulatory environment that we face for the Leondrino Exchange, Inc. is given by the BITLICENCE regulation issued by the State of New York. Moreover, we will register Leondrino as securities before we will enter the highest Leondrino token classes with the ability to exchange Leondrino with real currencies in the US.

Licensees of the Leondrino Exchange in other legal spheres will apply to the local legal and regulatory environment and their responsible institutions (such as the BaFin for the German market or FINMA for Switzerland).

Assumptions

1. Efficient capital markets: Our basic assumption is that despite some flaws, capital markets, in general, work efficiently. This means that prices reflect all available public information, and that the prices adjust quickly to new public information. There may be some market imperfections, but we believe that there is no way to get rich easily and without risk.
2. Economies of scale and scope: All else being equal, the costs of asset management per portion of fund capital decreases when the capital increases. Also, the development of expertise in asset management increases the efficiency of the fund.
3. Size limitations: In contrast to the previous point, a large fund may not find the same investment opportunities as a small fund since investments are usually not sizeable. This might lead to a decrease in profitability.
4. Principal-agent problems: There might be conflict of interest and information asymmetries between asset managers and investors. We will strive to decrease this through strong corporate governance and high transparency where we invest.

4.3 Governance of Leondrino Exchange, Inc. and Leondra GmbH

4.3.1 Board of Directors

As described in the first chapter, the original idea of Leondrino Exchange was created at Leondra music – the predecessor of Leondra GmbH. Since the spin-off, Leondrino Exchange, Inc. and Leondra GmbH are still managed primarily by the same three officers:

CEO - Sandra Leonie Ritter

Sandra Leonie Ritter is the CEO of Leondrino Exchange and also the CEO and co-founder of Leondra GmbH/Berlin where the idea of Leondrino was born. Sandra has been working for more than 15 years as entrepreneur. With the Leondra *music* Business Platform, she has a proven track record to plan and lead the execution of establishing a software platform with limited financial resources. Before her career in the software business and as CEO, she used to be a professional musician and established the first saxophone class at the State University of Music and Performing Arts in Mannheim/Germany.

CFO and COO – Peter Reuschel

Peter Reuschel is the Chief Financial Officer and the Chief Operating Officer at Leondrino Exchange. He is responsible for the corporate structure of Leondrino Exchange and Leondra GmbH including the PXL and XLEO token sale. Peter founded and co-founded several companies and spent more than 25 years in leading roles with focus on finance, operations and strategy for both established (IBM and SAP) and startup companies (e.g. InterComponentWare AG, Leondra music GmbH & Co. KG). Moreover, he served as a member of the supervisory board of YellowMap AG.

CTO – Michael Richter

Michael Richter is the Chief Technology Officer and leads the software development of Leondrino Exchange. Before Michael joined the team of Leondra music as CTO 10 years ago, he was running his own company which provided costumed software development. Between 2012 and 2016, Michael was working as the development lead of YellowMap AG before he made a decision to focus full-time on Leondrino Exchange beginning of 2017.

All three officers have been successfully working together already even before the foundation of Leondrino Exchange for about 10 years.

Major roles necessary for running the business of Leondrino Exchange or Leondra are still executed by external freelancer or part-time employees.

It is planned to extend the core team with full-time employees of both companies, the board of directors and the supervisory board before the first public issuance of a Leondrino Currency and XLEO using the proceeds of PXL TGE.

4.3.2 Relationship between Leondrino Exchange, Inc. and Leondra GmbH

Leondrino Exchange, Inc. is holding the IP (software, brand, etc) and has been the target organization of the Leondrino Network for traditional capital increases and convertible notes. Besides this role as legal entity to keep the IP together and to secure funding, its purpose is to become the issuer and

administrator of Leondrino in the USA and to function as licensor for Leondrino Exchange's IP and brand in other jurisdictions outside of the US.

Leondra GmbH has been serving as development organization for the Leondrino Exchange, Inc. and for the overall Leondrino network since the beginning of the implementation of the Leondrino core idea. Recently, it took over additional responsibility as licensee of the Leondrino Exchange business for the German market. Moreover, it serves as the issuer and administrator of PXLToken sales with its major role to secure funding mainly for software development and preparation of XLEO and Leondrino public issuances that meet the requirements of customers and law in key jurisdictions.

The business relationship of Leondrino Exchange, Inc. and Leondra GmbH is guided by an intercompany agreement. To secure transparency and compliance, both organizations have completely unrelated and independent tax advisors, accountants and legal services.

4.3.3 Supervisory Board of Leondrino Exchange

Leondrino Exchange is in the process of setting up a Supervisory Board which will be granted substantial power regarding strategic advice and supervision. In particular, it will guide and supervise on the following subjects:

- General investment policy for reserves
- Ethic and sustainable investment guidelines
- Investment execution

The process of selection for the supervisory board has already been started. The supervisory board will be established with the initial target size of 6 people at least 3 months before the public offering of the first Leondrino Currencies or the public offering of XLEO.

Especially major investors, who contribute via direct contributions before the public offering of XLEO, are candidates for a seat in the Supervisory Board.

Beside representatives of investors, the following experts and organizations will be represented:

- Stock exchanges and institutional banks,
- Enterprises,
- Leading financial services companies,
- Experts in the field of crypto-technology and
- Experts in the field of macro-economy.

4.3.4 AUTONOMIA

Autonomia is the name of the internal department of Leondrino Exchange that manages the supply of the Leondrino Currencies and XLEO. In particular, Autonomia is:

- Responsible for day-to-day monitoring of the currency supply for Leondrino currencies based on the monetary policies agreed with each enterprise and

- Specification, continued adjustment and supervision of Leondrino algorithm and its software implementation.

4.3.5 Associated Company (Brand Owner) of the Leondrino Currency

As part of the setup of a Leondrino Currency, a monetary policy (rules of the supply of a currency based on certain criteria) is defined in the Leondrino contract between Leondrino Exchange the owner of the brand. This contract might also contain rules about the investments of reserves including investment prohibitions based on risk avoidance or ethical reasons.

4.3.6 Monetary board (per Leondrino Currency)

A monetary board will be established for those Leondrino, that are going to be publicly traded via an ILO at Leondrino Exchange. This monetary board defines and controls long-term strategy of the monetary policy of the Leondrino. The minimum number of members of the monetary board are 3 with the following roles/qualifications:

- Representation of enterprise who owns the brand
- Expert in macroeconomics
- Representation of Leondrino Exchange or one of its licensees.

Decisions are made on a qualified majority basis. The selection of the expert in macroeconomics will be made via a public process. A single person can only serve in max 10 of such boards.

4.4 Liquidity Concerns

The liquidity of Leondrino currencies is assured by the XLEO currency for consumer transactions. Should there be shortage in liquidity in a specific branded Leondrino currency, instead of risking a huge market movement when trying to buy or sell it, XLEO will be used to avoid this. In fact, XLEO can be introduced to alter the limit order book in a way that sufficient liquidity is achieved. This works on the upside and the downside of the current market price. Exchanging Leondrino currencies for XLEO on the downside and XLEO for fiat currencies on the upside achieves a dampening of the market price movements.

Another way how XLEO can reduce unusual market movements is at the point-of-sale (“PoS”). XLEO will enable quick transactions when a consumer needs to obtain the required Leondrino currency for the exchange of this currency against goods at PoS. There are, however, limits for providing liquidity with XLEO. For standard consumer transactions, XLEO can be used in case there is no corresponding currency pair to exchange against under given time pressure at the PoS. However, for large speculative transactions use of XLEO is not proper. Similarly, when a currency approaches its end-of-life, based on the underlying brand’s performance, or “economy”, and naturally decreases in value, there will not be any interventions to provide supports to that currency’s value, but rather *the reserves* are used to provide for a smooth exit, which includes to recover a portion of the Leondrino currency holders.

5 Technology

5.1 Development Goals

The Leondrino Platform comprises all relevant components and IT services that drive the Leondrino Concept of competing private branded currencies:

- Internal and external software and hardware components necessary to manage the life cycle of Leondrino Currencies including all tools and services to meet the requirements of safety, privacy, security and regulation
- Shared services offered to stakeholders of the ecosystem (including its blockchain implementation and network)
- Integration with external actors using industry standards or interface blueprints.

The Leondra GmbH in co-operation with Leondrino Exchange will fund and guide the development of the Leondrino Platform as the foundation of the Leondrino MainNet. This includes, together with its ecosystem partners, building value and fostering growth.

It is not planned to implement proprietary basis technology for the Leondrino Wallet or for the blockchain of the Leondrino MainNet. Instead we work with market leading platforms and teams which can meet the heavy requirements of our business model and our enterprise customers including

- scalability,
- response time,
- security and privacy protection,
- predictable costs of infrastructure.

The Leondrino Exchange team is committed to open communication standards and will contribute with some of its own developments, especially in areas such as cross-chain communication, token standards, security and privacy management.

To secure its competitive advantage, Leondrino Exchange will keep details about its Leondrino algorithm and other aspects of its core business model and special innovative features as exclusive IP and business secrets.

5.2 Consortium DLT Solution vs Public Chain

In 2015 and 2016, Leondrino Exchange analyzed different infrastructure stacks in the context of enterprise customer scenarios. Based on this analysis, a decision for a consortium DLT approach instead of a public chain approach has been made.

Leondrino Exchange and its licensees will publish the consortium partners for its production environment in advance of the launch date of the Leondrino MainNet. Leondrino Exchange will be responsible for securing the highest possible level of trust through the selection of partners and algorithms for this consortium chain.

Leondrino Exchange is constantly following ongoing developments in blockchain and its broader field of distributed ledger technologies. With the rising maturity of those technologies the core team will regularly reevaluate the decision for a consortium chain vs a public chain.

5.3 Leondrino Wallet

Leondrino Exchange embraces the value of “consumer friendly” first. The current implementation is based on Microsoft .net. According to the strategy of Leondrino Exchange and in compliance with the regulatory environment in target markets of Leondrino Exchange, Leondrino Platform APIs will be made available for other wallet providers step-by-step.

5.4 Further Information for Partners

Information about available tools and services for prospective partners of Leondrino Exchange will be published on its homepage (<https://www.leondrino.com/tools/>). Leondrino Exchange will also publish separate documentation, a Technical Whitepaper of Leondrino Network, to describe the technical architecture of the Leondrino MainNet for Leondrino and XLEO.

6 PXLT Token Issuance

6.1 PXLT Token Sales

The PXLT is a standard ERC20 token. The ERC20 functionality is provided by a StandardToken contract (defined in the StandardToken.sol file) and the basic math functions, including safety checks, are provided by the SafeMath contract (defined in the SafeMath.sol file).

The PXLT Smart Contract is based on the contract used in the BAT and the Nimiq Token Sale. This is a market-tested contract which served as inspiration and guidance to offer a low-risk solution for our interim token PXLT.

6.2 Token Details XLEO and PXLT

Role of token	XLEO: Bridge currency in Leondrino Ecosystem; additional function of reserve currency in the future; PXLT (Pre-XLEO Token) is an interim token. PXLT will be exchanged into XLEO after the launch of the Leondrino MainNet. (Exchange rate: 1XLEO for 1 PXLT)
Token supply of XLEO	Fixed „XLEO Base Line” of max 1.26bn (including core-team distribution, presales and ILO of LEO); Additional supply depending on volume of all issued Leondrino based on reserve ratio
Initial distributed in PXLT Token Generating Event (PXLT TGE)	10,000,000 PXLT (10,000,000 XLEO)
Emission rate	Does not apply on Leondrino MainNet for XLEO; additional supply on top of XLEO Base Line in correlation with issued Leondrino volume only
Blockchain	Ethereum (eventually migrate to Leondrino MainNet)
Consensus method	Proof of Work on Ethereum; propriety consensus algorithm on a consortium network on Leondrino MainNet (will be audited by external auditor before exchange of PXLT into XLEO)

6.3 Details of PXLT TGE

TGE Sales Period	4 weeks: November 6, 2017 at noon (UTC) until December 4, 2017 (UTC) hard end; TGE will be over if the max. contribution cap is reached
First Price	200 PXLT:1 ETH
Accepted Currencies	ETH
Token Distribution Date	PXLT will be immediately distributed
Min Contribution Goal	10,000 ETH

Max Contribution Cap	50,000 ETH						
Creation Cap of PXLT	10,000,000 PXLT						
How are funds held?	Smart contract						
Bonus Schedule	<table border="1"> <thead> <tr> <th>Period</th> <th>Price</th> </tr> </thead> <tbody> <tr> <td>First two weeks</td> <td>200 PXLT:1 ETH</td> </tr> <tr> <td>Second two weeks</td> <td>175 PXLT:1 ETH</td> </tr> </tbody> </table>	Period	Price	First two weeks	200 PXLT:1 ETH	Second two weeks	175 PXLT:1 ETH
Period	Price						
First two weeks	200 PXLT:1 ETH						
Second two weeks	175 PXLT:1 ETH						
Smart Contract Security	Multisig smart contract for administration of TGE (enforces 4-eyes principle to manage the TGE and the transfer of contributions)						
Smart Contract Developer	Nikita Fuchs						
Auditor	Backes SRT GmbH, Saarbrücken						

6.4 Official Resources

- Landing page of PXLT TGE (pxlt-tge.leondrino.com)
- This XLEO Whitepaper (accessible via landing page of PXLT TGE)
- Terms for PXLT token sales (accessible via landing page of PXLT TGE)
- Github for PXLT smart contract (accessible via <https://github.com/leondra/PXLT>)
- Audit of Backes SRT GmbH about PXLT smart contract