



SNK

Crypto Meets the Street

White Paper

Version 1.0

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Preface

SneakerCoin is committed to being the digital asset of the world's youth. We want to empower consumers in this trend-based industry while protecting their interests. Customers should have the ability to be actively involved in the future of streetwear, fashion, and pop culture, and affect or even take control of future trends. This industry represents more than just the brands people wear, it represents cultural and ideological movements by the youth of the world, and each and every person with an interest in music, art, fashion, sports, and street culture should play a role in the SNKr ecosystem.

Over the last few decades, many trends have branched out from street culture. What started from humble beginnings and a demand for freedom of expression soon became infused into all areas of popular culture. People dress up in their own style to meet their needs and challenge traditional values. Sports, hip-hop, skateboarding, street dance, and contemporary art all have a heavy influence on pop culture today. Teenagers now turn to this industry for guidance while choosing their lifestyle. Themes such as tolerance, authenticity, and a demand for change are drawing more people in. People want to be unique, to separate themselves from the masses and a social establishment they view as ineffective.

During this time, the Internet has been developing just as rapidly. First, it was the open source license era, or Web 1.0. Then came Web 2.0, which was dominated by FAAMG¹. This extreme oligopoly led to the abuse of personal data and large-scale breaches of privacy and trust, which drove

¹ FAAMG stands for five US Internet technology companies: Facebook, Amazon, Apple, Microsoft and Google.

people in search of decentralization. They had a vision for the next generation of the Internet; a more free, open, safe and fair Web 3.0 era.²

Encryption protocols, decentralized apps and Bitcoin are all part of Web 3.0, where people manage their own data, assets and identity. All these fit right in with street culture. Street culture criticizes social injustice, respects individuality and defends human rights.

Real Recognize Real. Our core philosophy that acknowledges the connection between real entities in the industry.

Real Products.

Real Fans.

Real Data.

Real Movements.

Real Innovation.

Real Trust.

The SneakerCoin Foundation, initiated by Swell, is creating the SNKr street culture ecosystem based on the “Real Recognize Real” philosophy. SNKr aims to bring blockchain-powered applications to a global marketplace, thus empowering and aiding the sustainable development of the industry. By giving control back to the consumer, they will be in charge of their own data, assets, and identities, moving towards an internet that is fairer, freer, safer, and more open.

² Web 3.0 Brief History of Thought- To the Real Block Chain Entrepreneurs by Liu Yi

1. The Street Culture Industry Is Rapidly Expanding

Street culture originates from the sidewalks and alleyways of our downtown neighborhoods. It can be influenced by many factors, like sports, music, dance, and art. People wear simple but comfortable T-shirts and hoodies to express their interests and style.

They want to challenge traditional art, just like famous talents such as Andy Warhol did. Popular culture has its own artistic value. Anyone can become a celebrity, and be respected as an individual. Keith Haring, Futura, KAWS and Takashi Murakami all played a major role in promoting street art. These artists have made their name in the history books of art. Their work is recognized by art circles and auction houses. As such, celebrities from any field can lead a new trend in street culture. Street culture gained its value from the fact that there are no boundaries and creativity is limitless.

With the rise of popular art, streetwear brands were born. Inspired by surfing and hip-hop music, Shawn Stussy started by putting his signatures on surfboards and T-shirts. Since the products sold very well, he started his own brand, Stüssy. Soon after that, they helped young James Jebbia open his own skateboard shop, called Supreme. Many skate punks were drawn there. Others, like Hiroshi Fujiwara, started out as a DJ. He and Nigo brought European and American street culture back to Japan, releasing street culture to a global audience. At the time, traditional luxury brand designs tended to avoid hip-hop styles. Designer Dapper Dan began studying luxury designs and created a new style for hip-hop artists. Nike asked Michael Jordan to wear the black and red basketball shoes during the games. As those shoes were banned by the NBA, Nike allegedly had to pay for his fine for that whole season.

Today, streetwear can be seen everywhere. This style has affected fashion, culture, music, art, films, television and other entertainment industries. It has become a part of mainstream culture, and affects young people's aesthetic standards. This is a cultural phenomenon like nothing before. Remarkably, street culture also transcends races, religions, and cultures, which explains its state of constant evolution as it gets shaped by more and more diversity.

1.1 Street Industry Market Size Is Growing Rapidly

Global fashion consumption has been continually growing. McKinsey & Company predicted that in 2019, apparel retail would achieve 3.5% - 4.5% growth. The consumer market of popular fashion brands has been growing at a breakneck speed every year since 2012. By 2017, the market size was over 200 billion dollars.



Source: Deloitte, BizVibe, Reuters

Street industry merchandise encompasses a number of retail areas such as sneakers, clothing, digital accessories, artwork, toys, home design, and movie posters. In 2017, the estimated market value was 64.3 billion dollars. By 2025, the global sneakers market is expected to exceed 95 billion dollars.

1.2 Limited releases have expedited the booming resale market

Scarcity is important for fashion products. Cross-industry collaborations between brands, limited editions, and other marketing strategies make the resale market an important source to get street culture merchandise. Sneaker resale is the most important part of that. In 2017, its market size reached 6 billion dollars, with an annual resale profit of nearly 400 million dollars. On the day several Louis Vuitton X Supreme products were released in 2017, some items were resold for several times the retail price. A hoodie sold for almost three times the original price. Two years after being released in 2017 at ComplexCon, the price of a

limited run of 100 pairs of Nike sneakers rocketed to 6,000 dollars in the secondary market; 40 times the original retail price.



1.3 Millennials Have Formidable Spending Power

- **Millennials are the main consumers of street industry merchandise.**

In the past, customer demographics were more male-oriented, but recently the number of female customers is increasing considerably. Fashion product buyers are mostly aged between 18 to 25 years old, with millennials having an increasingly strong spending power. They helped the luxury industry grow 85% in 2017. McKinsey & Company predicted that by 2020, 40% of luxury consumers

would be millennials. Their influence over street culture will be limitless.

■ **High Premium of Street Industry Merchandise**

Normally, the list price for a fashion product from leading brands such as Supreme is between 45 to 300 USD. As luxury brands start embracing street fashion, prices are rising rapidly and many eye-catching products are priced over 500 USD. Fashion brands mostly use scarcity marketing tactics. A lot of the time, their merchandise would be traded at a premium of 20% to 30% at secondhand markets. Co-branded merchandise is usually traded at a premium of 50%. The resale price of limited edition sneakers could be 3x-10x times higher or more, with consumers still lining up to purchase these items.

Street artist KAWS has become a household name in the last few years. The KAWS and UNIQLO co-branded graphic T-shirt sold 6 million pieces. His wood sculpture Final Days was sold for a whopping 5,620,000 HKD. On April 1, 2019, his paint album entitled The KAWS Album sold for 115.9 million HKD, a stunning new auction record for the artist. After Kim Jones became the new director for Dior men's fashion, his first collection was the KAWS co-branded special pink BFF dolls, which were sold at the original retail price of 7,500 USD. Buying fashion toys and street art has become more than a hobby, they are a potential investment for fans. In the 2018 Classic Supreme items auction, a piece of Supreme X Louis Vuitton luggage sold for a jaw-dropping price of 88,400 EUR.

1.4 Street Culture X Fashion is Creating the New Luxury of the Future

As Fashion Brands Embrace Street Culture, Streetwear Brands are Turning into High Street Fashion.

With millennials' spending power rising, streetwear fashion has become mainstream. And as a result of streetwear fashion becoming more influential, luxury brands cater to consumers by embracing street culture. Over time, the boundaries between high street fashion and street fashion have become less clear. More and more luxury brands began to design streetwear like sneakers and sweaters with eye-catching logos and monograms, which only increases the prices even further.

The collaboration between Louis Vuitton and Supreme in 2017 was an important turning point for breaking boundaries between luxury fashion and streetwear fashion. Soon after that, the creator of this phenomenal event, designer Kim Jones joined Dior and embarked on a new journey, working with KAWS and Hajime Sorayama. As the CEO of Off-White™, Virgil Abloh used to work with Kanye West in depth. He was appointed as the artistic director of Louis Vuitton men's wear, becoming the brand's first artistic director with a street-culture background. With limited production releases, cross-industry collaboration and some other sales models proving very effective for streetwear brands, luxury brands took note and followed suit. Even brands like Burberry adopted drop releases for some of their products.

While most brands are faced with pressure to meet sales growth targets, only the select few that are able to balance creativity and commerce will achieve sustainable development. In this mass media age, people no longer reject commercialization, instead, they are willing to have more creative minds merge together multiple perspectives. Mainstream fashion media Highsnobiety defined this new-age luxury as, "luxury isn't just about what you wear, but also what you know. Creativity and commerce have merged with like-minded communities around the globe."

2. Industry Issues

2.1 Fake Goods in the Streetwear Industry

"What? You're telling me I bought a fake Supreme product? Just because the logo on mine is bigger?"

It's very hard for consumers to tell when faced with counterfeit products. They might get tricked and spend a fortune on counterfeit products. In most cases, consumers will be discouraged from buying again, or even redirect their anger towards the brand after realizing their error.

Top streetwear brand Supreme was established in New York City, US. The company registered their trademark very late in countries other than the US, and

as a result, a lot of counterfeit Supreme stores emerged around the world. Many new buyers were tricked into buying knock-off products. Problems like this also happened to #FR2, Yeezy and other popular brands. Even Samsung China got misled and announced a collaboration with a fake Supreme brand. This just shows the determination and duplicity of counterfeiters in the lengths they will go to earn profit.

Part of the problem stems from the size and scattered nature of the streetwear industry. Streetwear product depth is commonly considered shallow, and it's very hard for one brand to obtain a self-contained supply chain on its own, forcing them to outsource to third-party factories across the globe. Meanwhile, as universal as the material, cuts, and styles of streetwear brands are, it's very easy to produce counterfeits. As the streetwear resale markets saw dramatic growth, so too did the profit margins of counterfeiters. Adidas once pointed out that among the Adidas products sold in the Asia-Pacific region, 10% were counterfeit.³

2.2 Issues with transparency on trading platforms

“What? After a month of waiting, now you're telling me it's out of stock? Just because the price has gone up?”

This happens a lot in the streetwear product resale market. Sometimes when a product's price goes up, sellers will wait for a month or even longer before shipping the products to consumers, using out of stock as an excuse, causing consumers a financial and psychological double-blow. By claiming the product is out of stock, they can sell to a new customer at a higher price, while forcing the original buyer to wait.

Some sneaker resale platforms came up with pre-sale tickets, sneaker stock markets, and other virtual products to increase transactions of limited edition sneakers. By keeping trading records and commissions, these platforms have “financialized” the sneaker resale markets. In the past, people had to line up all-night in front of stores or go through ballot draws to get a pair of limited-edition sneakers. If they wanted to resell the sneakers, they had to wait until they got them, and then sell them through brick-and-mortar resale stores or online

³ <https://finance.yahoo.com/news/10-adidas-products-asia-fakes-095300009.html>

auctions. Now, with enough cash, people can instantly flip shoes in secondary markets. They can purchase the shoes through auctions and decide if they would like to sell them depending on how the market price changes, similar to how a stock market functions. Sometimes they can make hundreds or even thousands of dollars from price fluctuations. Throughout this process, they might never even see the actual sneakers. It doesn't matter if there is an actual pair of sneakers behind the transaction, making it difficult to determine if there is any malicious behavior on the platform. There is no way to supervise price fluctuations during the resale process on these types of sneaker resale platforms. For the users on these resale platforms, nothing matters anymore, except generating short-term profits. This kind of behavior is completely against consumer interests or the nature of sneaker culture.

2.3 Summary

Brands don't know what to do with a market full of counterfeit products. Furthermore, consumers have no idea how to recognize the difference between counterfeits and genuine products. This has caused great harm to the interests of both brands and consumers.

While the resale market is flourishing, the financial trading patterns could put consumers at great risk due to its non-transparency. Possible price manipulation and lack of physical products could further harm consumers' interests.

In a retail market that lacks transparency, and a resale market rife with manipulation, consumers who are the most passionate are always at a disadvantage. How should we give power to consumers, get them actively involved, and have them start bringing actual value to the fashion industry?

3. Solutions

This is where SNKr comes in!

With "Real Recognize Real" as its core vision, SNKr is committed to applying blockchain technology to the mass consumer market, empowering the streetwear

industry with blockchain technology, and helping to promote the sustainable development of the streetwear industry.

There are 3 steps in the SNKr strategy to solve the streetwear industry issues one-by-one. Ultimately, these steps will help build a crypto economy for the streetwear industry.

- **First**, link each physical product to a blockchain-encrypted NFC chip, so that physical assets will be on-chain from the beginning, solving the counterfeit problem.
- **Second**, build trading platforms for on-chain products to connect brands with users. These will specialize in open and transparent transactions, involving verified inventories, NFT trading and physical asset custody. By creating an innovative trading model, consumer interests can also be guaranteed.
- **Third**, a blockchain and digital currency reward system could stimulate and give power to the street culture community. It creates a new way for consumers, brands and KOLs to interact actively, building an equal relationship among them and increasing the sense of participation for consumers.

3.1 On-chain Platform for Physical Assets

S-cope BaaS of the SWELL company is the first worldwide blockchain application development platform for the streetwear industry. It is going to be the main platform that SNKr uses to bind physical assets with the blockchain during the early stages. The S-cope BaaS system is a one-stop enterprise-level BaaS platform, customized according to the characteristics of the streetwear industry and built on the VeChainThor blockchain. It provides a series of blockchain services, including data storage, product traceability and anti-counterfeiting, comprehensive supply chain management, content marketing, user ownership claim, and CRM management. With S-cope, brands can upload the information of physical assets to the blockchain, or tokenize physical assets, laying down the foundation for subsequent transactions.

The complete anti-counterfeiting and traceability solution includes:

- **Use blockchain to guarantee information is reliable.**

We will work directly with brands or official distributors. Chips are attached to products and uploaded to the blockchain by either the brands or official distributors so as to ensure reliable data information.

- **Encrypted chips can not be duplicated.**

The SWELL chip was developed by SWELL and VeChain. It's a VeChainThor blockchain encrypted NFC chip, that can be verified through the VeChainThor blockchain. Its data can not be tampered with, and the chip itself can not be duplicated.

- **Each product has one assigned code, which is non-transferable.**

Chips will be designed into different forms according to the product. We'll focus on how to make the chips nontransferable and durable. The embedded chip will be inseparable from its product, which also has an assigned code. This is the key to connecting the physical world and the digital world, and also the key to anti-counterfeiting.

- **Complete traceability; Easy to use**

Compared with RFID, NFC chips can simply be recognized and read with a smart phone, making it possible to connect with end-users using only a chip. With the Mine app from SWELL, customers will be able to read the traceability info, while being able to participate in other ecosystem related activities.

Every time the product is transferred, from factory to brand, from brand to distributor, retailer and trading platform, the information will be uploaded on to the blockchain. This leaves a transparent record of the entire supply chain, protecting consumer interests, increasing industry trust, and deepening the cooperation between each participant of the fashion industry's digital economy.

3.2 Verified Merchandise Trading Platform

We aim to build a counterfeit-free e-commerce trading platform with blockchain-tracked products, thus providing a safe and trustworthy purchasing channel for consumers while establishing a direct connection between brands and users.

With the combination of NFC chips and blockchain, we can solve the industry pain-points and create a state-of-the-art shopping experience for consumers. This will be integrated into Swell's Mine app, as well as future apps and platforms in the future.

➤ **Integration of online and offline trading**

With the help of chips and the ability to claim ownership, we are able to integrate online eCommerce trading and offline retail. In offline stores, users could make a purchase by scanning the NFC chip on the clothes. For online e-commerce platforms, after users receive a product, they could verify or reorder the product by scanning its NFC chip, increasing the repurchase rate.

Raffle system on blockchain will make production release more open and transparent. Users with winning ballots will be verified through a user ownership claiming system, which guarantees consumers with the chance of buying the products they desire.

➤ **NFT trading with physical asset custody**

The streetwear market is now full of co-branded products, limited edition products, street art and collectibles. Inevitably, the flourishing resale market will be used for trading merchandise at a premium. The only thing that we need to do is to guarantee transaction reliability.

After linking blockchain encrypted NFC chip to the actual product, we will tokenize physical assets with VeChainThor's VIP181 protocol and turn them into NFT digital assets. Non-fungible tokens (NFT) are all unique and can be transferred between users' wallets. This way, users could truly manage their digital assets.

Tokenizing every piece of clothing and every pair of shoes and recording them on the blockchain as NFT could guarantee that every product you see on the Internet actually exists. There will never be a ridiculous situation where an item with a limited run of 1,000 pieces could turn into 10,000 pieces while being resold on a secondary platform.

SNKr will push independent third-parties to conduct strict custody and exchanges of NFT physical assets, safeguarding the entire market.

3.3 Community Platform Powered by Blockchain

The street culture market is currently led by brands and KOLs. Consumers have to accept this passively since they lack the ability to actively participate. It's a challenge for brands to understand the true consumer mentality and demands through the exaggerated trends on social media platforms. This limits the efficiency of the brands value delivery bringing a need for an effective new marketing approach and a way to interact directly with consumers.

SNKr wants to advance blockchain's wide-scale adoption, and build a street culture community in a cutting-edge way. SNKr encourages users to create valuable content and establish genuine social data. These community features will be launched with the mine app, giving power to consumers and users, encouraging them to actively participate in product and brand activities.

➤ Content creation and rewarding system

SNKr encourages people to create valuable content and media, share fresh and unique information, express and share their opinions, and to really get consumers involved in promoting the development of street culture. Users can help build the community by posting original content, or by liking, reposting, and commenting on high-quality content shared by others. While other cryptocurrencies use algorithms to mine tokens, users will be rewarded with SNK according to quality content creation. This method of "Proof of Content" will help average people gradually grow into KOLs, encouraging deeper participation in the fashion industry. This is the ideal direction for the development of SneakerCoin's community.

In addition, with this "Proof of Content" style of mining, we are able to screen real users and content in a reasonable and effective way. This could ensure the platform data belongs to authentic customers, and achieve better result from brands and user interaction.

SWELL's "Mine" app will be the first experimental platform for promoting content as a consensus mechanism. This mechanism will gradually extend to more street culture communities.

➤ Users take the initiative and manage their data, assets and identity

Streetwear products, especially limited-edition sneakers, are always used by sneakerheads to “show off”. When owners claim ownership of physical items on the blockchain, their physical goods become individually linked to unique blockchain assets that can then be shared with the community. Users will gradually manage their data, assets, and identity. They have the right to decide how open their personal data is, and if their data could be used for commercial purposes and get paid for it. At the same time, they will have to pay for the protection and storage of their data and assets.

Embedding products with chips will create new marketing methods, and a new way for brands to interact with consumers and increase customer retention. Brands can do customer ownership verification through the S-cope BaaS system and reach customers directly through chips. This will be an innovative CRM mode.

➤ **A combination of brand advertising, e-commerce and CRM**

SWELL's mine app can organically combine brand advertising, e-commerce and CRM. Collectors and traders will naturally follow brand communities, and brand followers will be marked with clear labels and tags. When brands initiate marketing campaigns or limited production releases, they can accurately screen their target users. Communities can also take advantage of these followers, which will help communities to operate more precisely and effectively.

3.4 Crypto Economy for the Streetwear Industry

SNKr has integrated streetwear brands, factories, trading platforms, distributors, retailers, and KOLs with consumers, and rolled out three major platform products, including blockchain-connected physical assets, on-chain trading, and a blockchain-enabled social media platform. SNKr can build a trustless crypto economy for the streetwear industry, thanks to the decentralized nature of the blockchain. This is a way to provide a solution for industry issues, and a way to protect and respect consumer interests and rights, while fostering the development of the fashion industry.



3.5 Product Roadmap

SWELL products will be the main application for SNKr during the early stages. SneakerCoin Foundation will establish and promote development models and protocols that require the participation of communities. The foundation will also encourage, incubate, and invest in community projects. With the improvement of technology and the on-chain governance mechanism, the foundation will encourage products to develop decentralized apps. It is the foundation's mission to help SneakerCoin grow its network effect and increase its value.

2018Q2	<ul style="list-style-type: none"> SNKr project started. SWELL team formed. SNKr overall ecosystem concept took shape.
2018Q3	<ul style="list-style-type: none"> Officially started developing SWELL chips, S-cope BaaS system.
2018 Q4	<ul style="list-style-type: none"> Launched S-cope BaaS system 1.0. Started embedding the first limited edition and rare fashion products with SWELL chips, uploaded data to the blockchain. Formed a strategic partnership with INNERSECT 2018, a global fashion and culture exhibition.
2019Q1	<ul style="list-style-type: none"> Adjusted, improved and developed S-cope BaaS system 1.1. Made CRM features for supply chain management, marketing management, and customer authentication more user friendly for third party brands.
2019 Q2	<ul style="list-style-type: none"> Designed and developed product ownership claiming, sharing, and other features on mine app. Promoted with C-end users and started claiming ownership on blockchain. Updated SWELL NFC Chips: supported supply chain batch processing, increased supply chain efficiency, laid foundation for processing large scale data.
2019 Q3	<ul style="list-style-type: none"> Gradually branched out S-cope user brands blockchain business. Formed strategic partnership with key leading fashion brands. Designed and developed online/offline integrated B2C e-commerce features on "mine" app. Started and finished SneakerCoin fundraising seed round.

2019 Q4	<ul style="list-style-type: none"> Initiate B2C online/offline pop-up shop eCommerce mode on “mine” app. Help S-cope develop customers. Gradually get brands to join and start brand-authorized transactions. Attend the INNERSECT 2019 fashion show in Shanghai with members of the SNKr ecosystem, roll out more application activities.
2020 Q1 and Q2	<ul style="list-style-type: none"> Design and develop wallet features on “mine” app. Start Proof of Trading mechanism. Design and develop NFT-generation and trading in the Mine App
2020 Q3 and Q4	<ul style="list-style-type: none"> Design and develop community features on Mine. Form a content operating team. Start Proof of Content mechanism. Pick the right street artwork, limited edition sneakers to start tokenizing physical assets. Help brands go through the complete business process on a small-scale, including production release, conducting digital asset trading, physical asset custody and asset acceptance. Continue to increase SneakerCoin high-quality online exchange areas and the number of exchanges. Especially add more legal, supervised exchanges with fiat currency exchange license.
2021	<ul style="list-style-type: none"> Focus on popularizing “mine” app globally. Branch out to overseas markets, including the US, Japan and Europe. Continue to develop brand customers for S-cope. Increase the types and quantity of physical assets that could be tokenized. Add warehouse management to supply chain management service. Encourage, hatch and invest in community projects. Expand SneakerCoin application scenarios. Promote the development and usage of decentralized apps.

4. Economic Model

Sneaker culture itself has become an important part of global street culture. Co-branded and limited-edition sneakers released by streetwear brands, artists, and major designers like Nike and Adidas have become social tools for street-culture followers. These followers and KOLs, more commonly referred to as “Sneakerheads,” are passionate and supportive of their favorite brands and styles. That’s why we created digital tokens for street culture communities and people, and named this VeChainThor blockchain based token SNK (Short for “SneakerCoin”)..

4.1 SNK Allocation

The total supply of SNK is 2 billion. There are several main methods to become token holders, including by contributing in the form of mining, development, operations, marketing promotions, or by becoming investors. The

founding team and the foundation are also token holders.

Contribution as a form of mining is an important generating mechanism of SNK, which includes “Proof of Trading” and “Proof of Content”. The aim is to expand the network effect with user incentives. Contribution as a form of mining will start from 2020. SNK will release 60 million tokens per year for 10 years, until the total amount of SNK tokens reaches to 2 billion.

The tokens held by the foundation will mainly provide long-term financial support for open platforms in SNKr community. They will be used for incubating, investing, and introducing key participants for community projects. This portion of SNK tokens will be subject to a minimum of a 12 month lock-up period and gradually put into use after 2021.

The rest will be allocated to parties that contributed to building the SNKr community, including investors, founding team, foundation, and daily operation team.

SNK allocation details are as follows:

Allocation	Proportion	Token Quantity	Release Rules
Investors	12.5%	250,000,000	30% tokens of institutional investors have no lock-up period, 35% are subject to 3 months and another 35% are 6 months lock-up.
Development and Operations	17.5%	350,000,000	Tokens will be used for product development, team expansion, foundation daily operations.
Marketing & Promotion	15%	300,000,000	Tokens will be used for marketing and promotions, including developing new users, seller subsidies, and key partners.
Founding Team	10%	200,000,000	Tokens are subject to a 6 months lock-up period and 7.5% releases each quarter over 3 years.
Foundation	15%	300,000,000	Tokens will gradually be put in use after 2021, mainly for the community and incubation program.
Contribution as mining	30%	600,000,000	Yearly releases of 60 million tokens over 10 years, starting in 2020.

Note: All tokens are generated together and will be released in accordance with the rules above. The foundation will regularly publish financial reports, in which there should be clear and definite explanations of SNK token distribution,

expenses, income and other operating information, allowing community users to supervise these operations.

4.2 SNK Generating Mechanisms

The first principle of the utility token economy is to expand and maintain the network effect. For street culture communities, user base is the foundation of network effect. The long-term goal of the SNK economic model is to motivate users to participate in community activities and transactions.

Token value is based on token generating mechanisms. High quality content created by KOLs (artists, designers and musicians) in the community are the driving force for street culture development; at the same time, they are the most valuable assets of the crypto economy for the streetwear industry. The purchases users make also promote streetwear brands and the streetwear industry. User also make contributions through eCommerce transactions and self-created high quality content. We consider users' contributions on the platform to be the foundation of SNK's value. Therefore, contribution as a form of mining is a primary token generating mechanism for SNK.

➤ Proof of Trading

When users make a purchase on e-commerce platforms, they make a contribution to the industry, so they should be rewarded accordingly. That's why SNK tokens can be obtained through trading. Meanwhile, the platform will also reward early stage sellers with SNK tokens as service charge subsidies. As a way to promote trading platform growth, SNK incentives could benefit both buyers and sellers. This Proof of Trading will be first experimented on in the "mine" app, and then applied to more fashion e-commerce platforms.

➤ Proof of Content

The nature of the Proof of Content mechanism is to reward high quality content. SNKr will explore, adjust and improve the Proof of Content mechanism based on the number of users, how active users are, the creation, spreading, and interaction data of the high quality content. The Mine app community will be the first experimental community for the Proof of Content mechanism. This mechanism will be gradually applied to more street culture communities.

Detailed rules of Proof of Content are decided by the SneakerCoin Foundation Governance Committee, and will be published to communities in a timely manner. Adjustments of important rules will be determined by community votes.

Any user could obtain SNK through Proof of Trading or Proof of Content. Eventually, the main beneficiaries of Proof of Content are KOLs, organizations, and brands. The main beneficiaries of Proof of Trading are regular users. Communities and e-commerce platforms complement each other, together they promote the network effect development of the crypto economy for the streetwear industry.

4.3 SNK Circulation Mechanism

4.3.1 As working capital when businesses join the crypto economy

Businesses, including brands, distributors, retailers and other trading platforms, are the main participants of the crypto economy. SNK will be the key working capital for businesses to participate in trading activities.

Trading Activities	Token Utility
Blockchain transaction fees	<ul style="list-style-type: none">• SNK lock up as guarantee for required on-chain quantity• SNK paid for putting products & data on-chain• SNK lock up for tokenizing NFTs
Joining the trading platform	<ul style="list-style-type: none">• SNK lock up as guarantee for retail services on the SNKr trading platform
Advertising and promotion	<ul style="list-style-type: none">• SNK paid for promotion and advertising services
Goods/Service sales	<ul style="list-style-type: none">• SNK and other <u>stablecoins</u> paid for the trading of goods on the platform
Goods/Service Delivery	<ul style="list-style-type: none">• SNK lock-up as guarantee from third-party warehousing• SNK lock-up as guarantee from fourth-party logistics
Platform service payment	<ul style="list-style-type: none">• SNK and other currency paid for platform services

➤ **Products on-chain**

Putting products on-chain is the beginning of transactions in the crypto economy. The whole process includes uploading product information, tokenizing physical assets and facilitating the corresponding transfer of ownership.

Businesses need to pay SNK to put the products on-chain. The cost of a single transaction is not enough to guarantee blockchain data usage for good. As blockchain data grows, data storage costs will continuously grow. Therefore, businesses need certain amounts of SNK locked up depending on the quantity of products they need to put on the blockchain.

When tokenizing limited edition sneakers, street artwork, collectibles and other physical assets with NFTs, businesses must lock up a certain amount of SNK to meet the conditions for getting NFTs. In this manner, NFT tokens have both the value of the physical assets it represents and the market value of the locked-up SNK. NFT holders could choose to redeem the physical assets it represents by destroying the NFT. At the same time, NFT holders will also get the locked-up SNK back.

The system was designed to guarantee that only by holding SNK will users and business have access to the services, giving value to the token.

➤ **Become a member of the trading platform**

Merchants, third-party warehousing, and fourth-party logistics companies will need to lock up a certain amount of SNK in order to become members of the trading platform and provide services. This lock up is a guarantee for the services they provide.

➤ **Advertising and promotion**

Merchants can pay SNK for advertising and promotion on the e-commerce trading platform and in the community.

On the e-commerce trading platform, merchants can pay SNK to get more exposure and participate in platform activities.

In the community, merchants can initiate community activities by locking up SNK as collateral. Participants will be rewarded with SNK according to the rules of the activity. Merchants can pay KOLs with SNK for their support on content and activities.

Merchants can also pay SNK to the product chip owner for the right to use the user's data and send marketing content through the chip to that user.

➤ **Trade**

Merchants could choose to accept SNK and other types of cryptocurrency, stablecoins and fiat currency for products, services, and platform service charges.

After tokenizing physical assets into NFTs, SNKr will work with crypto asset exchanges to begin allowing SNK and NFT online transactions.

Platform service fees will be used for product development and operations.

4.3.2 As consumption capital for users to participate in the crypto economy

By owning and using SNK, consumers can identify and claim ownership to physical assets on blockchain. SNK can represent users' rights, interests and community ranking while interacting with brands, KOLs, trading platforms and retail stores. Consumers' right and interests will be fully protected, incentivizing them to get deeply involved in the street culture industry.

➤ **Claim ownership of products**

After users get the goods, they can pay SNK to claim ownership of their goods on the blockchain. The amount of SNK they own will determine how many physical assets they can claim ownership over.

➤ **Participate in online transactions**

Buyers could pay SNK while online shopping and doing NFT trading. SNK could also be used as a security deposit or down payment for transactions.

➤ **Participate in brand activities**

By escrowing or paying SNK, buyers can participate in auctions, drawings, limit production releases, and other activities. Brands can be creative, using how long or how much SNK users have owned to determine the user's probability of winning the drawing, their VIP levels, and benefits they are entitled to.

➤ **Participate in community interaction**

In communities, users can tip or interact using SNK. It's encouraged to pay for content frequently but at a low price, as an effective way of complementing content incentives.

➤ **Digital asset value**

Users' digital assets and content assets in the community belong to them. Users need to mortgage or pay SNK to acquire ownership and long-term storage service for their digital assets. To earn SNK, users could share the right to use their personal digital assets.

4.4 SNK Sales Plan

➤ Seed round

Total token supply	50,000,000
Seed round token percentage	2.5%
Registration starts	TBD
Registration ends	TBD
Initial token pricing	1 SNK = 0.01 USDT
Accepted token types	Equivalent BTC/ETH/VET/USDT
Token exchange rules	TBD
Token release rules	30% tokens of institutional investors have no lock-up period, 35% are subject to 3 months and another 35% are 6 months lock-up.

5. Governance structure

5.1 SneakerCoin Foundation Established

SneakerCoin Foundation (Referred to as “the foundation”) was established in Singapore, and initiated by SWELL, the first global blockchain application development platform designed for the streetwear industry. As the driving force behind SNKr, the foundation dedicated itself to developing SNKr applications and products while operating in a transparent way to promote SNK.

It is the SneakerCoin Foundation’s mission to help build a decentralized crypto economy in the street culture industry, and ultimately make SNK the digital asset for the youth of the world. By giving power to consumers, they can help them improve their position in the streetwear industry. The SneakerCoin

Foundation is seeking healthy and sustainable development for the global street culture industry.

5.2 SneakerCoin Foundation governance principles

The purpose of governance is to maximize the network effect of the crypto economy.

With the comprehensive on-chain governance, the foundation can promote community participation in decentralized applications, motivate decentralized products to update, and continuously develop users and the business scope of the platform.

The defining goal of the SneakerCoin Foundation governance structure is mainly to ensure the sustainable development of SNKr applications with effective strategies, management, risk control and the efficient operation of projects. These are the principles of the SneakerCoin Foundation governance structure:

➤ From centralized governance to comprehensive on-chain governance

Right now, there is no sophisticated blockchain technology platform supporting the development and on-chain governance of decentralized applications. Therefore, SneakerCoin Foundation will mainly adopt centralized governance in the form of the Governance Committee during the early stages. The Governance Committee has the highest decision-making authority and the right for centralized discussion over major events. This will help improve the efficiency of the entire community at the early stage.

At the same time, the foundation and Governance Committee will regard decentralized application development and comprehensive on-chain governance as the goal. They will strive to implement this goal as technology develops.

➤ Community proposals and voting rights

Communities have proposal and voting rights. When under the management of the Governance Committee, they will screen the proposals, decide who can vote, and choose what voting mechanism. They will also enforce accepted proposals.

➤ **Transparency and supervision**

The foundation will maintain transparent governance. They will announce the running conditions and business progress to communities and all parties through regular reports and occasional news releases.

Communities have the right and responsibility to supervise the foundation. Communities are welcomed to give suggestions that have significant impact on the foundation or blockchain technology, and bring up questions about the foundation or community operation. The foundation will give timely feedback and make improvements.

Communities are welcomed to participate in SneakerCoin business cooperations and promotion, and assist in increasing the SneakerCoin value.

5.3 Legal, Compliance Matters and Others

➤ **Legal matters**

SneakerCoin Foundation is a legal entity established in Singapore. All operations shall be in accordance with local laws and regulations. If matters that require legal advice arise, it should be settled by local lawyers.

➤ **Disclaimers**

For SneakerCoin partners, whether they acquire SNK or not, they always have the right to own or give up SNK. SNK holders are entitled to the right to participate in projects and use smart contracts in SneakerCoin communities. SneakerCoin buyers should understand that within the law, the SneakerCoin Foundation makes no express or implied warranties and transfer of benefits. In addition, buyers should understand there is no return or refund after purchasing SNK.

➤ **Dispute Resolution Provisions**

When disputes arise, the parties concerned should be settled through negotiations according to the agreement. In the event that negotiated settlement disputes remain unsolved, it can be resolved through legal process.

6. Team Introduction

6.1 Founding team



Founder and CEO — George Yang graduated from Peking University, with degrees in sociology and economics. Starting with KPMG, George had been working with Private Equity and Venture Capital firms for over 10 years, before leaving to be the CFO of INNERSECT, one of China's biggest streetwear and fashion events held each year in Shanghai. His deep understanding of finance and the streetwear industry gives SneakerCoin a tremendous advantage in their mission to disrupt the future of fashion.



Product Director — Shushan Xiao has got more than eight years of mobile products and operation experiences. He has successively served as an operation manager at lizhi.fm, a social product manager at Wifi Master, etc. Have a deep understanding of the post-95 and post-00 users, and promote the implementation of blockchain in the street culture industry.



Technology Director — Wenbin Dong has got more than eight years of mobile product development experiences, especially in e-commerce, Fintech and other fields. He is proficient in micro service architecture, Java and other full stack technologies, blockchain technology.

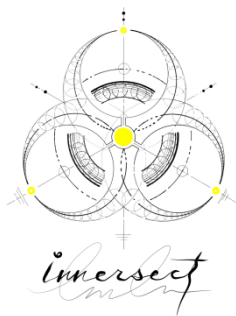
6.2 Cooperation



About VeChainThor Blockchain

VeChainThor is a public blockchain that is designed for mass adoption of blockchain technology by business users of all sizes. It is intended to serve as the foundation for a sustainable and scalable business blockchain ecosystem. From a technical point of view, the VeChainThor blockchain is built upon existing proven blockchain innovations and novel technologies that are created for achieving mass adoption. These technologies include the Proof-of-Authority (“PoA”) consensus algorithm, meta transaction features, protocols of transaction fee delegation, on-chain governance mechanism, built-in smart contracts as well as tools for developers.

VeChainThor public blockchain acts as the underlying technology of the S-cope BaaS system, customized according to the characteristics of the streetwear industry and developed by Swell.



International fashion exhibition and e-commerce platform: INNERSECT

Created by Chinese fashion leader Edison Chen, this international fashion platform has achieved great success in the streetwear industry, including fashion brands, hip-hop music and street art. INNERSECT has over 400,000 passionate fans, among which over 90% were born after 1995 or 2000. These fans are mostly located throughout Beijing, Shanghai, Guangzhou, Shenzhen, Chengdu and other cities in China. INNERSECT is the authorized dealer of over 100 international fashion brands. It is also the exclusive online sale channel in China for many brands. They have worked with top fashion brands and organized co-branded fashion, art, music flash mobs. INNERSECT is the strategic partner of many international and domestic well-known hip-hop music festivals, electronic music festivals, international street dance competitions, livehouses and other fashion scenes for young people.

7. Disclaimer and Risk Warnings

7.1 Disclaimer

7.1.1 When people join this project, their decision is voluntary. They should join at their own risk and be responsible for their own actions at their expense. The participants should be natural persons over 18 years of age with capacity for civil conduct, and are willing to accept and comply with the rules and matters in the published content of this activity. Participants will be held responsible for any legal liability direct or indirect caused by the participants.

7.1.2 Participants should have confirmed they are fully prepared physically, psychologically and materially. They should have confirmed they could take responsibility for any risk and caused results of this project. They will not hold the organizers, sponsors or the foundation for responsibility for any of their physical, financial, and psychological loss.

7.1.3 All the explanation and arrangement in the activities of this project planned by the project organizers are only assumptions. After the activity enrollment begins, there could be cancellation or alteration of the original plan due to any force majeure. Project organizers only guarantee that they will try their best to notify registered participants and explain the situation before changing or canceling the activities. However, the organizers are not to be liable for any personal, property and metal loss caused to the participants.

7.1.4 SneakerCoin Foundation shall be exempted from any leak, loss, embezzlement or deliberate modification of your personal data because of force majeure caused by hacker attack, computer virus outbreak or governmental restriction which lead to a temporary network close-up or anything could affect the normal operation of the network.

7.1.5 Any suspension of service due to maintenance or updating of the system shall be published by SneakerCoin Foundation in advance. SneakerCoin Foundation shall not be responsible for any inconvenience or loss for suspension of services as result of cable or hardware breakdown beyond control of SneakerCoin Foundation or other event of force majeure.

7.1.6 Any direct or indirect use of SneakerCoin Foundation resources shall be deemed to voluntarily accept the restraint contains in this statement.

7.1.7 This chapter contains risk warning, we advice relevant willing enthusiasts to please read carefully. This document is only used to convey information. It does not contain any opinion about SneakerCoin trading. Any similar offer or purchase will be conducted under trusted clause and applicable securities laws and other related laws. Information above is not investment advice or analysis.

7.1.8 This document does not contain any investment advice, investment proposal or solicitation of investment for securities.

7.1.9 This document does not contain or be understood as any trading behavior or invitation for trading any securities. It is not a contract or promise in any form.

7.1.10 SneakerCoin Foundation made it clear that the relevant intended users understand the risk of SNK project. Once participated, it means investors understand and accept the project risks and are willing to bear all the results and consequences.

7.1.11 SneakerCoin Foundation affirmatively disclose they will not be held responsible for any direct or indirect loss caused by SNK project, including: the reliability of all information provided in this document, any error, negligence, inaccurate information or any behavior caused by this.

7.1.12 At the time of writing, SNK can not be used to purchase related goods or services. SNK doesn't have practical use.

7.1.13 SNK is not an investment. We can not guarantee SNK value will increase. The value could drop under certain circumstances. Those do not use SNK properly could lose the right to use SNK or even their SNK.

7.1.14 SneakerCoin is not an ownership or right of control. Controlling SNK does not entitle users the ownership of applications developed by SWELL. SNK does not entitle anyone the right to participate, control or make decisions for SNK applications.

7.1.15 This statement and the right of revision, updating and the final interpretation all belong to SneakerCoin Foundation.

7.2 Risk warning

7.2.1 SNK project is a venture investment. There might be market risk, operation risk, credit risk, management risk, policy risk and other related risk involved in the process.

7.2.2 Venture investment returns come from project growth and management. SneakerCoin Foundation does not promise any fixed returns, breakeven or a minimum return. The foundation does not promise any type of guarantee.

7.2.3 Risk of losing SNK caused by private key or mnemonic words loss. Any leakage, loss, damage of the private key (especially the private key of the user's token wallet) to cryptocurrency or token wallet will lead to SNK loss.

7.2.4 Risks related to VeChainThor core protocol. SNK and its applications were developed based on VeChainThor protocol. Any malfunction of VeChainThor core protocol, unexpected functional issues or attacks can cause SNK to stop working or lose functions in unexpected ways. In addition, the value of tokens on VeChainThor could increase or decrease in the same way or different ways as SNK. Other information of the VeChainThor protocol could be found on <http://www.vechain.org>.

7.2.5 Judicial regulations related risks. Blockchain technology has become a target for supervision in world's major countries. If regulators step in or impose any influence, then SNK applications or SNK could be affected. For example, due to the restrictions on using, selling electronic tokens such as SneakerCoin, then SNK may be restricted or hindered. It could even terminate any development of SNK applications.

7.2.6 Risks caused by lack of media attention for SNK applications.

There are possibilities that SNK applications will not be used by a large number of individuals or organizations, which means the public don't have enough interest in developing these distributed applications. This lack of interest may cause negative impact on SNK or its related applications.

7.2.7 Risk of SNK applications or products fail to meet the expectations of itself or the buyers.

The SNK application is currently in development, therefore, there might be some big alterations before releasing the official version. Any expectation or imagination of SNK application or SNK function or form (including participants' behaviors) may not meet the expectation of SNK itself or buyers, which could be caused by any faulty analysis or changes to the design.

7.2.8 Risk of hacking or theft. It is possible for any hackers, other organizations or countries to try to interrupt SNK applications or SNK features, with possible service attacks, malicious software attacks, or consistent attacks.

7.2.9 Risk of loophole or rapid growth of cryptography.

The rapid development of cryptography or technology such as quantum computers might bring risk of cracking to cryptocurrency and the SNK application platform, which might lead to the loss of SNK.

7.2.10 Risk of lack of maintenance or use. First of all, SNK should not be regarded as an investment, although SNK may gain value over a certain amount of time. If lack of maintenance or use, SNK's value could be very small. Should this happen, SNK might not attract any new holders or very few holders, which is obviously bad for SNK.

7.2.11 Risk of dissolution of the SneakerCoin Foundation. It is possible that for a variety of reasons, including the fluctuations of SNK's value, SNK development problems, business relationship falls apart, or intellectual property claims, SNK project might encounter dramatic damage and disband immediately.

7.2.12 Risk of application failures.

SNK application platform may fail for various reasons and may not be able to provide service, which can result in the loss of users' SNK.

7.2.13 Other unexpected risks.

As a new and untested technology, cryptography token might have other risks not mentioned in this white paper, among which the SneakerCoin Foundation and its team haven't mentioned or expected. Other risks may suddenly arise or appear in a combination of the mentioned risks.