

FTToken Inc. Private Placement Memorandum (PPM)

506(b) Offering for Round A Common Shares and Bonds

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1. Executive Summary

FTToken Inc. is a Wyoming C-Corporation operating as a **technology cooperative**. The company offers a platform where ideas become useful applications through **token-sourced software development** and a modular, opinionated app builder. FTTToken's goal is to enable anyone to propose and collaboratively build high-quality software — and to be rewarded for their contributions.

FTToken targets two primary markets:

- **(A) Consumers**, beginning with software engineers who join the cooperative to build and use community-developed software. These contributors earn revenue based on their involvement and help drive the creation of apps inspired by proven, existing solutions.
- **(B) Small to mid-sized businesses** that require software solutions but do not wish to manage engineering teams. These businesses can submit their software needs, and the FTTToken community will develop and deliver tailored, production-ready applications.

1.1 The Offering

FTToken Inc. is offering a total of **\$300,000** in this round, split across three components:

- **\$100,000 in Common Stock**, priced at **\$0.40 per share**
- **\$150,000 in Bonds**, with a **12% annual yield paid quarterly**
- **\$50,000 in Member Contribution Carve-Out**, reserved for cooperative contributors (contractors, not employees) to receive common stock in recognition of their work

The minimum investment is **\$1,000**, with additional investments accepted in **\$1,000 increments**.

Note: Prior to this offering, the founder, **Eric Smeby**, contributed **\$100,000** to capitalize and launch the business — consisting of **\$50,000 in common equity** and **\$50,000 in bonds** with a 12% annual yield. **This founder contribution is separate from and not included in the current raise.**

1.2 Use of Proceeds

Proceeds from the raise will be used to:

1. **Grow the community and improve platform clarity**, through marketing, visual design enhancements, and a social network engagement strategy.
2. **Advance platform development**, especially the pluggable app builder architecture to enable scalable, cooperative-built applications
3. **Ensure financial and regulatory compliance**, particularly through robust accounting systems for tracking contributions, equity, and payouts

1.3 Leadership

FTToken is led by **Eric Smeby**, Founder and CEO (or “Lead Steward,” reflecting the cooperative ethos). His experience includes:

- Co-founding **TuitionCoin**, an earlier startup
- Leading modernization of CapitalOne's Secured Card Platform from legacy servers to AWS
- Contributing to the growth of **CreditWise** at CapitalOne from 15M to 30M monthly active users
- Serving as **SVP and VP of Technology and Product** at multiple fintech companies
- Acting as **CPTO** for a card issuing platform that grew from \$10M to \$60M in monthly card volume
- Working as a fractional CTO and product consultant for small businesses

His background in FinTech and product development uniquely positions him to build FTTToken's cooperative accounting systems and guide both the platform and business customer strategy.

1.4 Notable Highlights

- Two small businesses from Eric's previous consulting work may be interested in using FTTToken
- Foundational infrastructure for the platform — including an **Accounting Engine**, **DataHub**, and **Independent Code Actions** — is already built
- FTTToken is pioneering the **Token-Sourced Tech Cooperative** model, offering a novel structure for community ownership and compensation
- Several individuals have expressed interest in contributing to the platform in exchange for tokens

1.5 QSBS Notice

The Company believes that the securities offered may be eligible for Qualified Small Business Stock (QSBS) treatment under IRC §1202. However, qualification for QSBS treatment depends on various factors, including the investor's individual circumstances and the Company's ongoing compliance with IRS requirements. **No guarantee is made** regarding QSBS eligibility, and investors are strongly encouraged to consult with their own tax advisors.

2. Risk Factors

An investment in FTTToken Inc. (the “Company”) involves significant risks. Prospective investors should carefully consider the following risk factors, along with the other information in this Private Placement Memorandum, before making an investment decision. The following does not purport to be a complete listing of all potential risks.

2.1 Early Stage and Unproven Business Model

The Company is in its early stages of development. While it has earned some consulting revenue, it has not yet generated any revenue from its core platform or community-based operations. There are currently no active users of the FTTToken platform. The Company's cooperative model, wherein contributors receive equity or token-based compensation tied to future revenue rather than

immediate cash, is innovative but unproven. There is no assurance that contributors, businesses, or consumers will adopt or sustain engagement with this model.

2.2 Single Founder and Limited Team

The Company is currently operated by its sole full-time team member, Eric Smeby. The Company plans to be capital-efficient by engaging independent contractors and contributors who receive tokens or equity rather than salary. However, execution risks exist due to limited internal resources and the potential difficulty in attracting and retaining capable contributors under the cooperative compensation model.

2.3 Technology Development and Platform Risk

While core components of the FTTOKEN platform have been used in prior consulting engagements, the product remains in an alpha stage. The full integration and general-purpose functionality required to support broad app development by a community of users is still in development. There are also operational risks in scaling to support diverse customer applications and multi-tenant environments.

2.4 Regulatory and Legal Risk

The Company's structure and operations raise several regulatory considerations:

- **Cooperative Compensation:** The classification of contributors as independent contractors relies on IRS guidance. There is risk that regulators could reclassify them as employees, triggering labor law and tax implications.
- **Token Model:** The use of platform tokens as compensation or governance may raise securities law questions, particularly in a changing regulatory landscape for digital assets.
- **Revenue Sharing:** Offering contributors a share of future revenue may raise tax and securities law issues. The Company believes its structure may fall under Rule 701 for contractor equity, but this is not guaranteed.
- **KYC/KYB and Tax Compliance:** The Company requires third-party providers for Know Your Customer (KYC) and Know Your Business (KYB) compliance, as well as for managing financial payments and tax reporting.
- **International Regulations:** As the platform may serve global contributors and customers, the Company may become subject to data privacy laws, labor rules, and other non-U.S. regulations that it has not yet identified.
- **Customer Data and IP Separation:** The platform must ensure that each business customer's intellectual property and data are securely isolated and compliant with relevant data privacy laws.

2.5 Market and Adoption Risk

The Company faces competition from traditional software consultants, established SaaS platforms, and freelance marketplaces. Additionally, potential users and contributors may not be attracted to the cooperative model or may prefer more traditional employment and compensation structures. There is no guarantee that either of the Company's target markets—individual contributors or small to mid-sized businesses—will adopt the platform at scale.

2.6 Financial Risk and Runway

If the full offering is raised, the Company expects approximately 36 months of operating runway. If only equity is raised (without bonds), runway is estimated at 28 months. These projections assume no additional revenue is generated and may change based on unforeseen expenses. While the Company does not anticipate an immediate need for additional funding, there is no assurance that future capital will be available if needed.

2.7 Intellectual Property Risk

While all work for the FTTOKEN platform has been independently developed by the founder outside of any prior employment, there remains a remote possibility that a former employer could assert a claim over aspects of the intellectual property. This is despite no use of employer resources or time, and the Company believes such claims would be without merit. However, vague language in historical employment agreements could give rise to potential legal challenges.

3. Terms of The Offering

3.1 Securities Offered

FTToken Inc. (the “Company”) is offering securities under Regulation D, Rule 506(b) of the Securities Act of 1933, as amended. The offering consists of:

- **Common Stock:** Up to **250,000 shares** of Common Stock at a price of **\$0.40 per share**, for a total of **\$100,000**.
- **Bonds:** Up to **\$150,000** in unsecured corporate bonds, with a **12% annual interest rate**, payable **quarterly**.
- **Contributor Equity Pool:** A separate carve-out of **\$50,000 in Common Stock** has been reserved for future issuance to platform contributors (contractors) as compensation for services rendered to the Company.

This offering is being made to an unlimited number of accredited investors and up to **35 non-accredited investors** who are sophisticated and capable of evaluating the merits and risks of an investment.

3.2 Minimum Investment

The minimum investment is **\$1,000**, and investments must be made in **\$1,000 increments**.

3.3 Founder Capital

Note: Prior to this offering, the founder, **Eric Smeby**, contributed **\$100,000** to capitalize the Company—split equally between **\$50,000 in common equity** and **\$50,000 in bonds** (12% annual yield). **This founder contribution was made during the formation of the Company and is not part of this investment round.**

3.4 Valuation

The Company has issued **5,000,000 shares of Common Stock** to the founder in connection with the Company’s formation. At the offering price of **\$0.40 per share**, the Company is implying a **pre-money valuation of \$2,000,000**. If the full \$100,000 in equity is raised along with the \$50,000 contributor pool, the **post-money valuation** would be approximately **\$2,150,000**. This valuation reflects the Company’s early-stage status, existing technical assets, and the founder’s capital contributions.

3.5 Investor Information Rights

Investors in this offering will receive:

- **Annual financial statements** (unaudited)
- **Notifications of major business events**, including any mergers, acquisitions, or significant company developments
- **Access to the Company’s capitalization table**, with entity and individual names obfuscated for privacy
- **Standard shareholder rights**, including the ability to vote on matters such as future fundraising, corporate structure, and major company actions.

3.6 QSBS Statement

The Company has been structured to comply with the requirements of **Qualified Small Business Stock (QSBS)** under Section 1202 of the Internal Revenue Code. While the Company believes its Common Stock should qualify as QSBS, ultimate eligibility will depend on the investor’s individual tax situation, the duration of the investment, and a number of IRS-defined criteria. **Investors are strongly encouraged to consult their tax advisor** regarding the potential benefits and limitations of QSBS treatment.

4. Company Overview

4.1 Legal Entity and Structure

FTToken Inc. (“FTToken” or the “Company”) is a **Wyoming C-Corporation** structured as a **tech cooperative**. The Company is owned by shareholders, including contributors who earn equity by building the platform and participating in its growth. FTToken combines elements of cooperative ownership, modern software tooling, and contributor-based revenue sharing into a scalable, token-powered business model. The goal is to create an equitable software ecosystem.

4.2 Mission

FTToken's mission is to **turn ideas into useful software** by enabling community-driven app development, powered by a platform that rewards contributors with equity and future revenue. This is a reaction against big-tech companies. FTTToken believes software should be created *with* communities and *for* communities — not extracted from them for the sole benefit of centralized corporations.

4.3 What FTTToken Does

FTToken operates as a hybrid between a software development platform and a contributor-owned cooperative. Its offering consists of two core components:

1. Token-Sourced Software Development

- Contributors — including engineers, designers, marketers, and salespeople — earn tokens in exchange for work.
- These tokens track contribution and allocate future revenue and equity, creating a more equitable and long-term aligned model than traditional hourly contracting or employment.

2. App Builder Platform

- An **opinionated, pluggable app builder** that allows contributors to collaboratively build apps using reusable components.
- Built to support rapid iteration, the platform enables the cooperative to address both niche and broad use cases over time.

4.4 Target Markets

FTToken's long-term vision encompasses **three customer segments**:

• A. Consumers (Initial Focus: Software Contributors and Creators)

- The platform will offer user-facing apps built by the community as ethical alternatives to ad-driven big-tech products.
- Rather than funding development through advertising (which averages ~\$5/month/user in typical big-tech models), FTTToken plans to charge users a small monthly fee to deliver a better product without societal side effects.
- Initial users will primarily be software creators who understand the model and can actively contribute.

• B. Small to Midsize Businesses (SMBs)

- SMBs often need tailored software but lack the expertise or resources to manage developers.
- FTTToken lets these businesses submit their needs, and the cooperative delivers custom solutions using the app builder platform — without requiring businesses to hire or manage engineers directly.

• C. Contributors

- Contributors (builders, designers, engineers, marketers, salespeople) join to work on meaningful projects and earn ownership and future income.

4.5 Business Model

FTToken monetizes through:

- **Subscription fees** from consumers using community-developed apps.
- **Custom software delivery** for SMBs, similar to consulting engagements, built using the FTTToken platform.
- **Platform take-rate** from all revenue generated by cooperative-developed products, while distributing the majority back to contributors.

Unlike traditional open-source projects, FTTToken uses a **token-sourced model**, meaning:

- The software is **not free for commercial use**, but **accessible through paid subscriptions**.
- Tokens earned by contributors allocate equity and revenue rights — a system designed to preserve long-term value for those who build the tools.

4.6 Status and Stage

The platform is in **alpha**. Core systems — including an **accounting engine**, **data hub**, and **independent code actions** — have been validated through use in consulting engagements. Current development focuses on tying components together and making

the platform broadly usable for building general-purpose apps.

4.7 Unique Positioning

FTToken is the **first known token-sourced tech cooperative**, representing a new structure for how digital products are built, owned, and monetized.

- Built on **AWS** using scalable infrastructure.
- Designed to empower independent contributors, offering them revenue share and equity instead of hourly wages.
- Positioned to challenge the extractive nature of big tech — FTTToken's model is inspired by agricultural and consumer cooperatives, which historically empowered communities and protected them from monopolistic market forces.

Big-tech's centralized platforms have contributed to middle-class erosion, misaligned incentives, and concentration of power. FTTToken proposes a structural alternative: a platform where digital labor earns ownership, where software grows organically from community needs, and where value flows back to those who help create it.

5. Management & Team

5.1 Founder & Lead Steward: Eric Smeby

Eric Smeby is the Founder and CEO of FTTToken Inc., though he often uses the title **Lead Steward**, reflecting the Company's cooperative nature and commitment to shared ownership.

Eric brings deep experience across **FinTech**, **product development**, and **technology leadership**, including:

- **Capital One**
 - Modernized the **Secured Card Platform**, migrating from legacy infrastructure to **AWS Cloud**.
 - Contributed to the **growth team** that doubled **CreditWise** from 15M to 30M monthly active users — showcasing his ability to scale consumer platforms.
- **Credit Card Issuing FinTech**
 - Served as **Chief Product & Technology Officer (CPTO)** as the company grew 6x from **\$10M to \$60M** in monthly card volume.
- **FinTech & SaaS Leadership**
 - Held senior roles as **VP/SVP of Technology and Product** across various financial technology companies.
 - Built deep domain expertise in **accounting systems**, **regulatory compliance**, and **financial product design** — all critical to FTTToken's mission and infrastructure.
- **Startup Founder & Consultant**
 - Previously founded **TuitionCoin**, a platform focused on refinancing student loans.
 - Worked as a **fractional CTO and Head of Product/Engineering** for numerous startups and small businesses — giving him first-hand insight into the challenges that FTTToken aims to solve for SMBs.

Eric is currently the **sole full-time team member** of FTTToken and will remain so for the foreseeable future to maintain capital efficiency. He is being paid **\$5,000 per month** until the next investor round. He is majority owner of equity holding 5,000,000 shares.

The Company plans to scale by working with part-time contractors and contributors who earn equity and revenue share via tokens. These contributors will support **product development**, **sales**, **marketing**, and **design**, helping to grow the ecosystem organically.

5.2 Organizational Philosophy

FTToken's structure is intentionally lean and decentralized. It is designed not as a traditional tech startup with a hierarchical team, but as a **token-sourced cooperative** that **scales through contributor engagement**.

- Contributors are **not employees**, but **contractor-members of the cooperative**.
- Work is compensated through a **token system** that reflects individual contributions and allocates revenue and ownership accordingly.

- As contributors grow in number and engagement, FTTToken expects to create community-based working groups or pods, with leaders emerging organically from the contributor base.

This model is unproven, and there is a risk that contributors may not be willing to work in exchange for future upside. However, FTTToken believes the **incentive alignment and ownership structure** are well positioned to attract and retain high-quality talent.

6. Business Highlights

6.1 Existing Technical Assets

FTToken already has foundational components developed earlier, including:

- **Accounting Engine** – tracks any financial event as journal entries. The accounts, and financial events are configurable for easy extension. This includes community contributions to enable transparent distribution of revenue through tokens.
- **DataHub** – a centralized, flexible storage and retrieval system for business and app data. All data is configurable to be easily extended. The hub can enable event-driven architecture because each write of data can trigger a subscribed code action.
- **Independent Code Actions** – a system to modularize functionality into reusable, permissioned units of code.

These assets form the backbone of FTTToken's **pluggable app builder platform** and enable rapid prototyping and development of custom business tools.

6.2 Early Customer Interest

Two small businesses from Eric Smeby's prior consulting may have potential interest in using FTTToken's platform to power their internal or customer-facing software. These are not under contract but signal early **market validation** and **real-world use cases** for the platform.

6.3 Revenue

Eric has earned **consulting revenue**, though no recurring revenue from the platform or community yet. This consulting work has helped prove key platform components and refine the business model. Active **platform users** are not yet present, as FTTToken is pre-launch and still in its alpha development phase.

6.4 Runway

If the full fundraising round is completed:

- With both **equity and bonds** fully subscribed, the Company expects **36 months of operational runway**.
- With only **equity** raised, the Company expects approximately **28 months** of runway.

This forecast assumes modest burn rates, lean operations, and capital-efficient growth using token-based contributor compensation.

6.5 Founder Commitment

The founder, Eric Smeby, has contributed **\$100,000 of initial capital**, split evenly between **common equity and bonds** with a 12% yield. This funding was used to launch the company and build the current technical foundation. It is separate from this current round.

Eric is currently the sole full-time team member and is committed to working on FTTToken full time, with a **modest salary of \$5,000/month** until the next investor round.

6.6. Strategic Value of Tokenization & Cooperative Network Effects

The Company believes the FTTToken model unlocks a **powerful alternative to traditional software capitalism** through shared ownership, transparent incentives, and community-driven growth.

6.6.1 Aligned Contributor Incentives

By distributing revenue shares (FT-Gems) and long-term equity pathways (FT-Diamonds) to contributors, FTTToken creates an ecosystem where **builders are stakeholders**, not just contractors.

- This fosters **higher-quality, mission-aligned contributions**.
- Contributors have a financial interest in platform growth, reducing reliance on hired labor and marketing spend.

6.6.2 Network Effects Through Fair Participation

FTToken's multi-token model creates a system of “**cooperative network effects**”:

- Customers benefit from useful, community-driven apps.
- Contributors are motivated to improve apps they benefit from.
- Investors fund a platform where **every dollar circulates with measurable return or value**.

6.6.3 Resisting Extractive Economics

Unlike ad-supported platforms that monetize attention and data, FTTToken's model is **value-aligned with users**.

- Businesses pay fair usage fees via FT-Tokens.
- No ads. No surveillance. Just software that solves problems.
- This structure **avoids the negative externalities** of ad-tech, and gives users a path to become contributors or owners.

6.6.4 Strategic Path to Liquidity

The use of FT-Diamonds, tied to specific fundraising rounds, provides **structured liquidity and equity access without speculation**. This helps maintain regulatory clarity and offers **clear entry points for investor and contributor participation** over time.

In sum, the FTTToken ecosystem is more than token mechanics—it is a framework for **inclusive, transparent, and regenerative software economics** that challenges the power structures of Big Tech.

7. Milestones for This Round

This funding round is expected to accomplish the following milestones in the next 6-12 months:

1. Platform Completion for Alpha Launch

Finalize integration of FTTToken's core systems (Accounting Engine, DataHub, Code Actions) into a cohesive, community-usable app builder platform.

2. First Real-World Platform Apps Deployed

- **Consumer App**: At least one live app available to community users.
- **Business App**: At least one working solution deployed for a small-to-midsize business customer.

3. Initial Contributor Recruitment

Recruit a small but diverse group of contributors (engineers, designers, marketers, and salespeople) who begin building apps and onboarding users. Contributors are compensated in tokens representing a future share of cooperative revenue.

4. Token Accounting System Live

Operational system for allocating and recording token-based contributions, payments, and cooperative equity shares.

5. Third-Party Services Integrated

- KYC/KYB for legal compliance and contributor/customer vetting.
- Payment processor(s) to enable fiat and/or crypto flows for contributors and platform use.

6. Initial Community Launch

Public marketing, social strategy, and onboarding of early community members and beta users. Expectation is for modest initial growth and product-market validation.

7. Preparation for Future Fundraising

Documentation, traction, and system maturity needed to support a future round potentially at a \$4,000,000 valuation for \$200,000 in equity.

8. Token Economics

FTToken Inc. uses a **three-token system** to align incentives between contributors, customers, and investors. This structure supports a community-driven, revenue-generating ecosystem:

8.1 FT-Tokens

The internal currency of the platform.

- **Used by customers** to access software and services.
- **Purchased with cash**, creating direct revenue for FTTOKEN Inc.
- Pricing is comparable to ad-supported platforms (~\$5/user/month), but with **no advertising or data harvesting**.

8.2 FT-Gems

Earned by contributors who build or enhance apps.

- Represent a **share of revenue** generated by the specific app(s) a contributor helped build.
- Not equity, but **have real cash value** tied to customer usage.
- **Tokenized payouts** are automatically distributed from app earnings.

8.3 FT-Diamonds

Reward sustained, high-value contribution to the core platform and ecosystem.

- Can be **redeemed for equity** during fundraising rounds.
- **Backed by new common stock** classes created for each round (Class A, Class B, etc.).
- Issued selectively to contributors aligned with the company's long-term mission.

This token architecture supports scalable, distributed innovation, incentivizes aligned contributions, and opens a clear path to equity for key contributors.

🔍 **See Appendix: Token Mechanics** for allocation rules, payout structure, and redemption mechanics.

8.4 Token Risk Context

While the FTTOKEN ecosystem is designed for transparency, utility, and regulatory alignment, investors should understand the unique risks associated with tokenized business models.

8.4.1 Regulatory Uncertainty

Tokenized assets remain a **developing area of law and regulation**. Although FT-Tokens, Gems, and Diamonds are structured for clear use cases—platform credits, revenue shares, and contributor equity paths—there is **no guarantee of how regulators may classify or interpret them in the future** (e.g., securities vs. utility tokens). Changes in law, enforcement priorities, or interpretive guidance from the SEC or other regulators could impact the operation or liquidity of tokens.

8.4.2 Liquidity and Redemption Risk

There is currently **no public market** for any FTTOKEN-related token.

- FT-Tokens are redeemable only within the Company's software platform.
- Gems offer revenue-sharing from specific apps, but **do not provide equity or governance rights**.
- Diamonds may only be **converted into equity at designated fundraising rounds**, and conversion is not guaranteed.

The Company does not promise liquidity for any token class, and **early contributors and investors should be prepared to hold tokens long-term**.

8.4.3 Technology Risk

All tokens and potential associated smart contracts may rely on **third-party blockchain infrastructure**. While the Company takes rigorous steps to audit and secure its systems, **exploits, bugs, or downtime in the broader blockchain ecosystem** may impair functionality or delay redemptions.

8.4.4 Valuation and Volatility

Unlike public crypto assets, FTTOKEN-related tokens are **not intended for speculative trading**. Their value is determined by **revenue flows and Company decisions**, not public market prices. However, the **perceived value of these tokens may fluctuate** based on platform usage, fundraising rounds, and other business milestones.

9. Use of Proceeds

Proceeds from the offering will be used to:

- **Grow the community and improve platform clarity**, through marketing, visual design enhancements, and a social network engagement strategy.
- **Develop the platform and app infrastructure**, enabling scalable, token-sourced app creation and deployment.
- **Support compliance, accounting, and operations**, including tracking contributor work and managing legal obligations.

10. Financial Information

FTToken Inc. is a newly formed early-stage C-corporation and is pre-revenue from its platform operations. The following information is provided for prospective investors:

10.1 Capital Contributions

- **Founder Contribution**: Eric Smeby has contributed a total of **\$100,000** to launch the business:
 - **\$50,000** in Common Equity (Class Founder)
 - **\$50,000** in Class Founder Bonds with a 12% annual yield
- This founder capital is **not part of the current round** and was used to establish the company and its initial technology foundation.

10.2 Revenue

- The founder has generated **limited consulting revenue** through engagements related to early platform testing and development.
- **No community or software platform revenue** has been recognized to date.

10.3 Assets & Liabilities

- FTTOKEN Inc. currently holds:
 - **Minimal fixed assets**
 - **No material liabilities**
 - The company's primary value lies in its **proprietary software architecture**, which includes:
 - An Accounting Engine
 - A DataHub for app infrastructure
 - Modular Code Actions

10.4 Runway Projections

The company's runway depends on the amount raised:

Scenario	Capital Raised	Estimated Runway
Full Round (Equity + Bonds)	\$300,000	~36 months
Equity Only	\$100,000	~28 months

These projections assume a lean, contractor-based operating model and modest founder compensation of **\$5,000 per month**.

11. Securities Offered

FTToken Inc. is offering a combination of **Class A Common Stock** and **Class A Bonds**, with a reserved equity **contributor carve-out** to support the cooperative model.

11.1 Class A Common Stock

- **Amount Offered:** \$100,000
- **Price per Share:** \$0.40
- **Minimum Investment:** \$1,000 (in \$1,000 increments)
- **Shares Offered:** 250,000
- **Security Type:** Class A Common Stock **with voting rights**

Investors in this round will receive **Class A voting common shares**, which represent equity ownership in FTTOKEN Inc. and carry standard shareholder rights, including the ability to vote on matters such as future fundraising, corporate structure, and major company actions.

11.2 Class A Bonds

- **Amount Offered:** \$150,000
- **Annual Yield:** 12%
- **Payment Frequency:** Quarterly interest payments
- **Maturity:** 10 years from issuance
- **Minimum Investment:** \$1,000 (in \$1,000 increments)
- **Security Type:** Class A Unsecured Corporate Bonds
- **Seniority:** Senior to future bonds (Class B, C, etc.)

Class A Bonds are **unsecured corporate debt instruments** backed by the Company's Class A Common Stock. In the event of non-payment of interest or principal that is not cured within six months, Class A Bonds **automatically convert into Class A Common Stock**, thereby diluting or replacing existing Class A shareholders. Class A Bonds are **senior** to any future bond offerings (e.g., Class B Bonds).

11.3 Contributor Equity Carve-Out

- **Amount Reserved:** \$50,000 in Class A Common Stock (125,000 shares)
- **Use:** For compensating contributors (engineers, designers, sales, etc.)
- **Structure:** Work-for-equity in the form of token-aligned share allocations

These shares are **not part of the current investor raise** but are reserved to incentivize contributors who help build the FTTOKEN platform and products.

11.4 Transfer Restrictions

- Shares and bonds are **subject to a 1-year minimum holding period** per Regulation D.
 - After 1 year, **transfers require Company approval** (except in the case of death or estate transfer).
 - The Company may, but is not obligated to, **provide liquidity** for shareholders in future fundraising rounds.
 - Shareholders should expect to **hold long-term** to benefit from potential Qualified Small Business Stock (QSBS) tax exclusions after 5 years of holding.
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11.5 Future Fundraising Plan

- The Company intends to raise capital in **future rounds by continually doubling the previous valuation**.
- Each round will issue **the same number of shares and contributor carve-out** as the current round.
- New investor shares will be labeled **Class B, Class C**, etc., based on the round.
 - Each class of common stock will have **identical rights** except for designation and bond pairing.
- Each bond class (e.g., Class B Bonds) will be **backed by the corresponding stock class** (e.g., Class B Shares).
- **Older bonds are senior** to newer bond classes.
- Bonds will continue to include a **10-year term, market interest**, and **conversion clauses upon default**.

11.6 Regulatory Exemption


This offering is being made under **Rule 506(b) of Regulation D**, which permits:

- Sales to **accredited investors** and up to **35 sophisticated non-accredited investors**
- No public solicitation or advertising
- U.S.-based investors only, investing for long-term ownership

Future offerings will be made under different SEC Rules. The next round is planned to use 506(c) of Regulation D.

11.7 Qualified Small Business Stock (QSBS)

FTToken believes Class A Common Stock may qualify as **Qualified Small Business Stock (QSBS)** under Section 1202 of the Internal Revenue Code. If certain conditions are met and shares are held for at least **5 years**, **capital gains from sale may be tax-free**, up to IRS limits.

 The Company **cannot guarantee** QSBS eligibility or future tax benefits. Please consult a tax advisor for personalized guidance.

12: Valuation and Capitalization Table

12.1 Valuation

- **Pre-Money Valuation:** \$2,000,000
- **Founder Equity:** 5,000,000 Class Founder shares issued at company formation
- **Post-Money Valuation (fully subscribed):** \$2,150,000
- **Post-Money Shares Outstanding (if all equity and contributor shares issued):** 5,375,000

This valuation reflects the Company's early-stage position, existing platform assets, and the founder's \$100,000 contribution (split evenly between Class A equity and Class A bonds).

12.2 Capitalization Table (Cap Table)

Shareholder / Category	Share Class	Shares	% Ownership (Pre-Raise)	% Ownership (Post-Raise Full Sub)
Eric Smeby (Founder)	Class Founder	5,000,000	100.0%	93.0%
Investors (This Round)	Class A	250,000	—	4.7%
Contributors	Class A	125,000	—	2.3%
Total Shares Outstanding	—	5,375,000	100.0%	100.0%

13: Exit Strategy / Liquidity

FTToken Inc. is a long-term venture designed to create a sustainable cooperative technology platform. While the Company does not anticipate a near-term exit through acquisition or IPO, it is committed to creating **structured, periodic opportunities for investor liquidity**.

13.1 Share Repurchase Opportunities at Future Rounds

At each subsequent financing round, the Company intends to offer a **share repurchase program** for investors from earlier rounds. This mechanism will:

- Allow earlier investors to exit or partially liquidate their holdings.
- Be **first-come, first-served**, subject to available capital allocated for such repurchases.
- Comply with **Qualified Small Business Stock (QSBS)** regulations to qualify for potential tax-free gains under Section 1202 of the Internal Revenue Code.
- Require that all repurchases be approved by the Company and comply with transfer restrictions outlined in the securities offering.

While the Company intends to provide liquidity opportunities at each round, **liquidity is not guaranteed**, and repurchase limits will depend on capital needs, investor interest, and regulatory constraints.

13.2 QSBS Considerations

The Company intends to offer limited liquidity to earlier investors at future financing rounds. However, these opportunities will be subject to important constraints under **Section 1202 of the Internal Revenue Code**, which governs **Qualified Small Business Stock (QSBS)**.

Specifically, the Company must comply with the rule that prohibits repurchasing **more than 5% of its aggregate stock (by value) within any two-year period**, unless such repurchases are required under a pre-existing binding agreement. Exceeding this threshold could disqualify the QSBS status for all outstanding shares, thereby negating potential tax benefits for investors.

As such, repurchases will be:

- **Strictly limited** to remain under the 5% threshold unless future regulations or Company structure permit otherwise.

The Company will monitor this limitation closely to preserve QSBS eligibility for all shareholders.

13.3 Future Securities Registration and Tokenization Strategy

FTToken Inc. plans to conduct **five private funding rounds**, each issuing a new class of stock (e.g., Class A, B, C, etc.) tied to corresponding bond issuances. Following these rounds, the Company intends to explore **securities registration** under applicable exemptions or public offering rules, most likely under **Regulation A (Reg A)**.

This planned registration aligns with the Company's **token-based cooperative model**, which aims to enable compliant trading or redemption of equity and bond tokens on future secondary platforms or alternative liquidity frameworks.

The details of such a registration—including timing, regulatory framework, and token implementation—will be determined based on market readiness, regulatory guidance, and business development progress. **No assurance can be given that any registration or secondary market will occur.**

14: Tax Considerations

14.1 Qualified Small Business Stock (QSBS)

FTToken Inc. believes that shares of its Class A Common Stock may be eligible for treatment as **Qualified Small Business Stock (QSBS)** under Section 1202 of the Internal Revenue Code. If the requirements are met, U.S. investors who hold the stock for at least **five years** may be eligible to **exclude up to 100% of capital gains** from federal income tax upon sale.

However, **qualification for QSBS is not guaranteed**, and is subject to numerous conditions including but not limited to:

- FTTOKEN Inc. maintaining gross assets of less than \$50 million before and after the issuance.
- At least 80% of the company's assets being used in active business operations.
- Investor holding the shares for a minimum of **five years**.
- Shares being acquired at original issuance.

Investors should consult their own **tax advisor** regarding their particular situation and to confirm potential eligibility under the QSBS rules.

14.2 Other Tax Matters

Investors may be subject to federal, state, and local taxes based on the nature of their investment. Specifically:

- **Bondholders** will receive interest payments, which will be taxed as ordinary income.
- Contributors receiving equity in exchange for services may be required to **report and pay income tax** on the value of the equity under IRS rules governing service compensation.
- Token distributions or revenue-sharing payments may create **complex tax implications**, potentially as self-employment income, partnership income, or royalties depending on structure and usage.

FTToken Inc. does **not provide tax advice**. Investors and contributors are strongly encouraged to consult with qualified tax professionals to fully understand the implications of participating in this offering.

15: Legal Notices and Disclaimers

15.1 Securities Law Compliance

This offering is being made pursuant to **Regulation D, Rule 506(b)** of the Securities Act of 1933, as amended. The securities described in this document have **not been registered** under the Securities Act or any state securities laws, and are being offered in reliance on exemptions from registration.

This offering is limited to:

- **Accredited investors**, and
- Up to **35 non-accredited, but financially sophisticated investors**, who have sufficient knowledge and experience to evaluate the merits and risks of the investment.

Each investor will be required to make certain representations regarding their financial status and investment experience.

15.2 No Public Offering

This Private Placement Memorandum (PPM) does **not constitute an offer to sell** or a solicitation of an offer to buy any securities in any jurisdiction in which such an offer or solicitation would be unlawful.

The information contained in this PPM is **confidential** and may not be reproduced, shared, or distributed to any other person without the express written consent of FTTOKEN Inc.

15.3 No Investment Advice

Nothing in this document should be construed as **investment, legal, tax, or accounting advice**. Prospective investors must consult their own legal and financial advisors before making any investment decision.

15.4 Forward-Looking Statements






This PPM contains **forward-looking statements**, including projections, goals, and expectations regarding the future business, development, and financial performance of FTTOKEN Inc.

These statements are inherently subject to uncertainties and risks, including but not limited to market conditions, business execution, regulatory changes, and competitive pressures. Actual results may differ materially from those expressed or implied in any forward-looking statements.

15.5 No Guarantee of Liquidity or Return

There is currently **no public market** for the securities being offered, and no assurance that any such market will develop. Investments in FToken Inc. are **illiquid** and subject to long holding periods, transfer restrictions, and risk of loss. No guarantee is made regarding returns, dividends, or capital appreciation.

⚠ 15.6 Investor Summary — Important Reminders

-  **Private Offering:** This is a private placement under SEC Rule 506(b). Securities are **not registered** and **not publicly tradable**.
-  **Investor Limits:** Up to **35 non-accredited investors** may participate, provided they are financially sophisticated.
-  **Forward-Looking Statements:** All projections are **subject to change**. There is **no guarantee** of business success, liquidity, or investor returns.
-  **Transfer Restrictions:** You must **hold your shares for at least 1 year**. All private transfers require company approval.
-  **Seek Your Own Advice:** Please consult **your legal, financial, and tax advisors** before investing. FToken Inc. does not provide personal investment advice.

16. Investor Suitability Standards

FToken Inc. is offering securities pursuant to **Rule 506(b)** of Regulation D under the Securities Act of 1933. This exemption permits the sale of securities to:

- An **unlimited number of accredited investors**, and
- **Up to 35 non-accredited investors** who meet specific suitability standards.

16.1 Suitability Requirements

To invest in this offering, a prospective investor must:

1. **Have sufficient knowledge and experience** in financial and business matters to evaluate the merits and risks of the investment, or be advised by a professional capable of doing so;
2. **Be able to bear the economic risk** of the investment, including the potential for a total loss of their investment;
3. **Acknowledge the illiquid nature** of the securities, which are not publicly traded and may not be resold except in compliance with applicable securities laws;
4. **Meet the definition of an Accredited Investor** or otherwise satisfy the suitability standards as described below.

16.2 What Is an Accredited Investor?

An **Accredited Investor**, as defined in Rule 501(a) of Regulation D, includes but is not limited to:

- **Individuals** with:
 - Annual income exceeding **\$200,000** (or **\$300,000** jointly with a spouse or spousal equivalent) in each of the last two years, with the expectation of maintaining that income in the current year, OR
 - A **net worth exceeding \$1 million**, either alone or with a spouse or spousal equivalent, **excluding the value of their primary residence**.
- **Entities** such as:
 - Banks, insurance companies, registered investment companies, business development companies, or small business investment companies;
 - Any entity in which **all equity owners are Accredited Investors**;
 - Trusts with assets in excess of **\$5 million**, not formed to acquire the securities offered, and directed by a person with sufficient financial sophistication.

The Company reserves the right to accept or reject any investment in its sole discretion.

17. Subscription Instructions

17.1 How to Invest

To subscribe for securities in FTTOKEN Inc., each prospective investor must:

1. **Review the Private Placement Memorandum** carefully and consult with their legal, tax, and financial advisors.
2. **Complete and sign** the following documents, which will be provided upon request:
 - Subscription Agreement (including consent to Electronic Delivery of Documents)
 - Investor Questionnaire (confirming Rule 506(b) eligibility)
3. **Submit payment** of the investment amount via wire transfer, ACH, or other accepted method (instructions provided upon request).
 - **Minimum investment: \$1,000**
 - **Investment must be in \$1,000 increments**
4. **Await confirmation** from FTTOKEN Inc. of acceptance into the offering.
 - The Company reserves the right to **accept or reject** any investment in whole or in part, for any reason.

17.2 Important Notes

- **Offering Size:** FTTOKEN Inc. is raising a total of **\$300,000**, comprised of:
 - \$100,000 in **Class A Common Stock** at **\$0.40 per share**
 - \$150,000 in **Class A Bonds** with a **12% annual yield, paid quarterly**
 - \$50,000 in **Contributor Equity**, reserved for cooperative member contributors
- **Rolling Subscription:** This is a **rolling offering**, meaning funds will be accepted and closed upon on a **first-come, first-served basis**, subject to Company approval, and **there is no escrow**. Proceeds are available to the Company as received and will be used immediately for operations.
- **Issuance of Securities:** Subscriptions are binding once accepted by the Company. Upon acceptance and receipt of funds, the Company will issue:
 - A stock certificate (digital or physical) for Common Stock purchases
 - A promissory note for Bond investments
- **Restricted Securities:** All securities are subject to a **minimum 12-month holding period**, per Rule 144, and may be subject to additional restrictions as outlined in Section 7.

18. Glossary of Terms

Accredited Investor — An investor who meets the income, net worth, or institutional qualifications defined by Rule 501(a) of Regulation D under the Securities Act of 1933.

Alpha — A very early version of software that is functional but incomplete. It may be used internally or with a limited number of trusted users for initial feedback.

App Builder Platform — The software framework developed by FTTOKEN Inc. that enables users to create, deploy, and manage custom applications using shared infrastructure and code.

Bond — A debt security issued by FTTOKEN Inc. that pays a fixed yield (e.g., 12%) over a specified term (10 years in this case). Bonds are backed by specific classes of common stock and carry conversion rights under certain conditions.

Cap Table (Capitalization Table) — A document or record that shows the ownership structure of a company, including issued shares, investor ownership, and options. FTTOKEN Inc. shares a version with entity names obfuscated.

Class A Common Stock — Voting equity securities issued in the first fundraising round, carrying rights to vote and receive dividends (if declared). Subject to transfer restrictions.

Class A Bond — A 10-year debt instrument backed by Class A Common Stock. If interest payments are not made for 6 months, the bond converts to equity and wipes out current Class A shareholders.

Contributor — A person or contractor who contributes to the FTTOKEN platform, including design, development, marketing, or sales, and may be compensated in equity, tokens, or a share of future platform revenues.

Cooperative Model — A decentralized ownership and profit-sharing structure where contributors and users share in the value generated by the platform, often using tokens or profit allocation instead of traditional salaries.

FTToken — The name of the company (FTToken Inc.) and the broader cooperative ecosystem focused on creating a fair, community-built alternative to big-tech platforms.

KYC / KYB (Know Your Customer / Know Your Business) — Identity verification processes required for financial compliance and tax reporting for both individual and business users of the platform.

Platform Revenue — Revenue generated from businesses and consumers using applications built on the FTTOKEN platform, typically via subscriptions or app access fees.

Private Placement Memorandum (PPM) — This legal document outlines the details of the securities offering, including risks, valuation, use of proceeds, financial information, and investor rights.

QSBS (Qualified Small Business Stock) — A type of stock eligible for tax benefits under Section 1202 of the IRS Code, including the potential to exclude capital gains if held for five years.

Rule 506(b) — A regulation under the Securities Act of 1933 allowing private companies to raise funds from Accredited Investors and up to 35 non-accredited investors without registering with the SEC.

Subscription Agreement — A legal agreement between the investor and the company specifying the terms under which the investor will purchase equity or debt securities.

TokenSource — FTTOKEN's cooperative software model where revenue generated from apps is allocated to contributors based on tokenized contributions, rather than using open-source or free licensing.

Valuation — The pre-money or post-money financial value assigned to the company during the current round, which affects share price and ownership percentage for investors.


19. Appendix: Token Mechanics

19.1 FT-Tokens

- FT-Tokens function as **platform credits** for app usage.
- **Revenue source:** FTTOKEN Inc. sells FT-Tokens directly to customers.
- **Example:** A business pays \$500/month in FT-Tokens to use a custom app — that revenue is split internally between contributors (via Gems) and the company.
- **No third-party tokens** are used — this is a closed, accountable system.

19.2 FT-Gems

- Contributors **earn Gems** by completing approved projects or tasks.
- Gems entitle holders to a **proportional revenue share** of the app or feature they contributed to.
- Gems are app-specific and **do not dilute equity**.
- Revenue distributions happen on a **rolling basis** as the platform earns from customers.

 Example: A contributor earns Gems worth 2% of App X. If App X generates \$10,000/month, they receive \$200/month.

19.3 FT-Diamonds

- FT-Diamonds represent a **non-cash equity path** for core contributors.
 - Diamonds can be **converted to common stock** at the next available fundraising round (e.g., Class A, Class B).
 - A fixed allocation of common stock is reserved per round for Diamond redemptions.
 - Redemption terms are governed by contributor agreements and round mechanics.
-

19.4 Token Liquidity and Redemption Plan

- The Company intends to **register its securities** after five private rounds to enable liquidity for tokens.
 - Likely through a **Regulation A** filing, though the structure will be determined later.
- **Diamond redemptions** will occur at each funding round.
- The Company **plans to repurchase shares** from earlier round investors on a **first-come, first-served basis**, subject to QSBS constraints.
- Token issuance and redemption are **tracked in the wallet app**, ensuring transparency.