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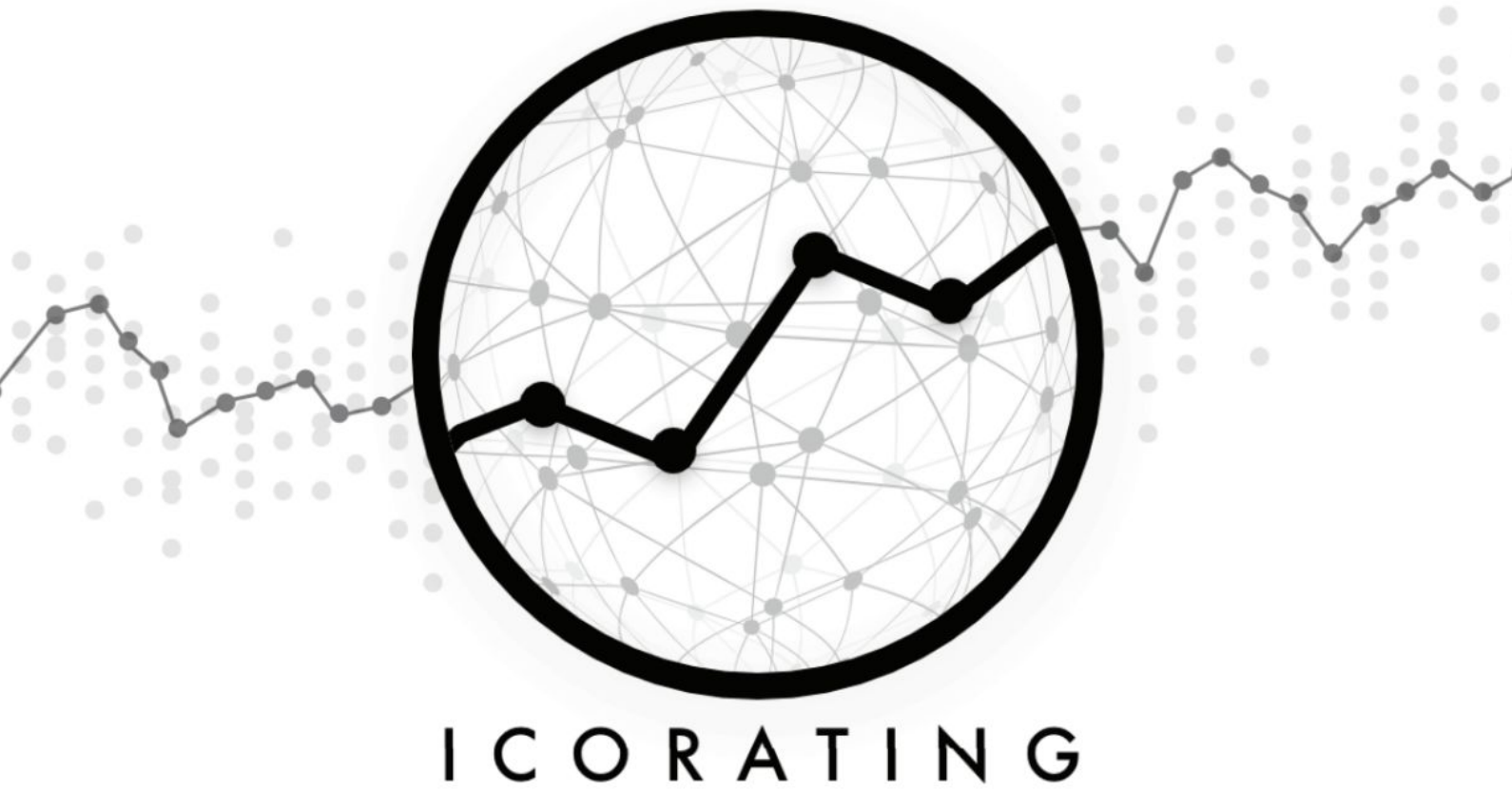
SONM Project Review (https://sonm.io)

ICO dates (15.06.2017 – 15.07.2017)



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1. Ratings

We assign the “Stable+“ rating to the SONM project. We assign the “better than the market” rating to the SNM tokens and recommend investors who are loyal to risks defined herein to BUY the SNM tokens within the ICO. It is necessary to diversify purchasing the SNM tokens with investments in tokens of similar competing projects.

We have analyzed the whole aggregate of the project risks. The team has problems with the timeliness of launching services and publishing documents. We also note that the team did not manage to prove the volume of the work at the project that has already been performed. There is a probability that it has been developed relatively recently. Moreover, not all tasks that were promised publically and in the Roadmap have yet been fulfilled in time.

However, these issues are compensated by a number of factors that cause optimism as for the future project:

- The project promises really promising technological solutions,
- The market that SONM potentially enters has considerable potential,
- The SONM business model guarantees the maximum motivation and the team’s and developers’ involvement in implementing the project,
- The project does not set goals that are knowingly difficult to achieve – the future share of the market is conservatively estimated at the level of 2.5%,
- SONM has all chances to win the price competition over the largest players due to the market price formation of computing capacities,
- The financial model of the project has been worked out, economic risks are minimum subject to full placement at the ICO, and
- The team and advisors are qualified and have experience of implementing large projects.

The investment attractiveness of the SNM token is based on the following factors:

- Potential of the market growth,
- Allocation of 100% commission charges among tokens holders in the form of dividends,
- The program of tokens buyback from the market as a factor of supporting the capitalization until the project achieves the target capacities.

We think that the buyback program will considerably increase the certainty that after the ICO the SONM tokens will not undergo serious price drawdown. Taking into account the statistics of initial placements, the probability of speculative growth of the token price after the ICO is high, which allows us to recommend them for buying.

2. Information about the Project and ICO

SONM is a project of decentralized global supercomputer that intends to create the p2p market of computer capacities that can solve various types of resource intensive tasks – from scientific calculations to websites hosting and rendering of computer graphics. The key component of the system is the SNM token on the Ethereum blockchain that will enable buyers of computing resources to pay for suppliers' services by using the smart contracts system.

Term of the ICO – since June 15 till July 15, 2017

Total volume of emission – 444,000,000 SNM tokens at once. After the ICO, the SNM tokens will not be generated.

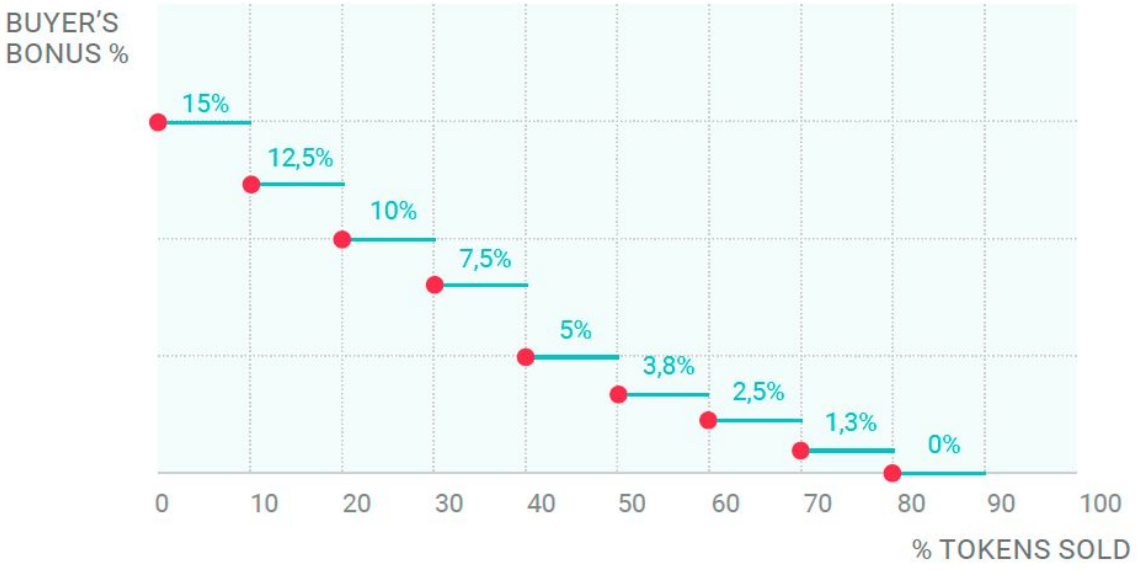
ICO Price – 1 ETH = 2424 SNM. The price of the SNM token in other crypto-currencies will be defined depending on the rate of these crypto-currencies as to Etherium. The list of the crypto-currencies that are available for investing will be published at https://ico.sonm.io/.

Allocation of funds: 74.63% – for selling, 10% – for the team, 9% – for the SONM eco-system fund, 5.46% – for converting SPT tokens sold during the pre-ICO.

Investment goals – min 13,000 ETH, max 117,337 ETH[1]. In case of the maximum ICO funding cap not being reached, all unredeemed tokens will be burned. In that case, tokens distribution between bounty, SONM team and SONM ecosystem will be proportional to the number of SNM generated during the ICO.

Bonus tokens will be accrued to investors on the regression basis depending on the number of the sold SNM tokens:

[1] The maximum investment amount can be corrected depending on the rate of ETH/USD as to ICO.



For the transaction with tokens to be safe, SNM will be unavailable during 1 month since the ICO completion.

3. Services of the Project and Area of Activity

SONM is a decentralized platform that allows uniting all computers of the world connected to the Internet into a single world supercomputer. Unlike widespread centralized cloud services, SONM is trying to implement the Internet of everything (IoE) concept that means the merge of people, processes, data and things into a single system that expands opportunities for business and everyday life.
The structure of the project is based on fog computing which makes it possible to refuse from expensive services of cloud monopolists. Instead, owners of almost any computer devices will be able to earn passive revenues by leasing their unused computing capacity, and customers will be able to obtain more efficient solutions than such traditional centralized services as Amazon Web Service, Microsoft Azure, Digital Ocean and others. This service is now especially urgent when, due to the increased complexity of Proof-of-work mining, a large number of computer equipment is idle without use.

The area of applying the SONM platform is enormous: no doubt, almost every active business requires considerable computer resources whether these are online stores, social networks, MMORPGs or organizations analyzing large amounts of data. Thus, one of the most resource-intensive tasks is scientific modeling of various processes. The development of new medicines, aerodynamic calculations, social statistics, and neural networks - this is far from the complete list of scientific areas that require processing of huge amounts of data.

Rendering of video and computer graphics by using SONM services will be more efficient than cloud services due to the flexible platform infrastructure. Instead of the unprofitable long-term lease of centralized capacities, the SONM structure will allow distributing tasks between a large number of participants and performing them in a shorter time.

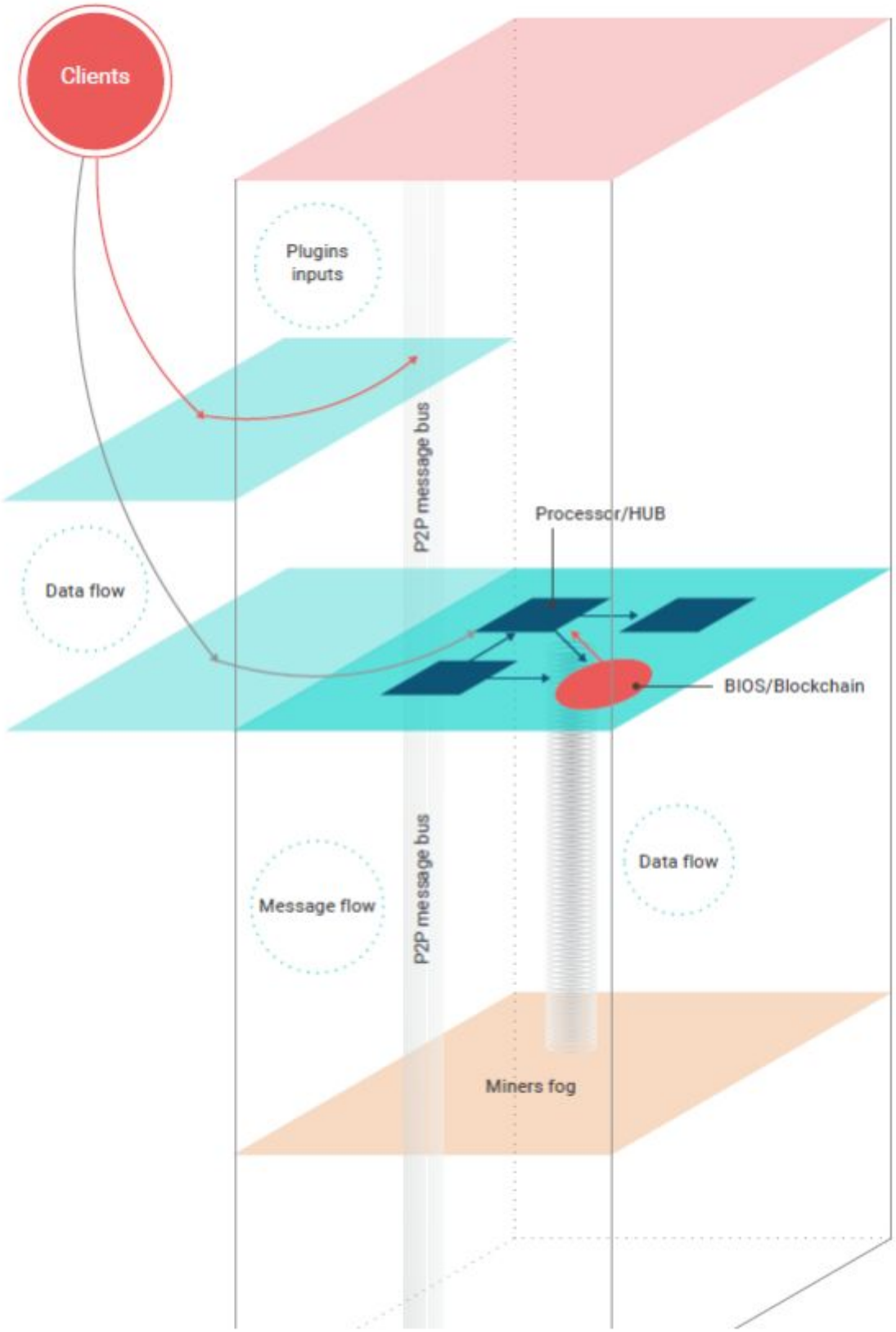
In addition, the SONM platform can be used to host websites regardless of centralized cloud providers. The project team also plans to introduce a "hidden services" technology, similar to that used in the TOR network. As a result, it will be almost impossible to block such website.

SONM Technology

From the technical point of view, the architecture of the SONM project combines such technologies as BTsync to transmit data, Cocaine open source PaaS technology as a decentralized computing platform, and Ethereum Smart Contracts as a consensus system. Thanks to this structure, the SONM project pretends to be the "world supercomputer" whose concept was described by the Etherium founder, Vitaliy Buterin. The existence of such supercomputer becomes possible due to the implementation of the executable code in Etherium blockchain transactions blocks. As a result, computers connected to the network of miners can automatically execute this code. However, such technology has a serious limitation. Due to the Etherium blocking device, each program must be executed on each

device of the network which makes this process resource-intensive and considerably reduces the prospects of its development. Other projects that are developed according to the principle of the "decentralized world computer", such as Golem or iEx.Ec., also have these drawbacks.

Fortunately, the experience of the SONM team allowed eliminating this imperfection. As a result, the project will be able to perform almost any task according to the standards of a full-fledged computer.



As you can see from the scheme, the structure of the SONM "world computer" is similar to that of an ordinary computer. Thus, its processor is represented by a set of independent nodes that distribute tasks, collect results, calculate statistics, and support the continuous

operation of the entire system. One of the main parts of the supercomputer is the BIOS, its function being performed by the Etherium block. The hard disc will be implemented through a decentralized data storage system, similar to such projects as Storj, Sia etc. The GPU (graphics processing unit) consists of the calculating capacities connected to the connected miners, and the communication bus to transmit messages and data within the Fusrodah network based on the Ethereum Whisper protocol. Finally, a messaging framework and a smart contract system (Blockchain government) play the role of the operating system of the SONM "world computer"). A detailed description of the technical part of the project can be found in its whitepaper at https://sonm.io/.

A key component of the entire system is the SONM tokens released on the Etherium blockchain, whose task is to provide flexibility and manageability of the project. Customers of computer capacities will be able to pay for their computing services through a system of smart contracts. In addition, holders of the SNM tokens will earn transactions commissions, similar to dividend payments to owners of the company's shares.

4. Market Review

Size of the Cloud Services Market and its Forecasts

The market of cloud services is growing very fast: in 2012-2014 the market grew on average at least by 30-35% per year. In the period from 2015-2016, the growth of the market slowed down to 20-25%, and in the future the growth rate will be even lower, but they will remain double-digit for a long time.

The slowdown in growth rates as the size of the market grows is absolutely normal and natural: it is the effect of a high base - the market becomes larger physically. The slowdown in the growth of the China's economy down to 6.5% a year shows the effect of the base. However, in fact, there is no slowdown – the China's economy has grown 3 times according to the purchasing capacity parity over the recent 10 years and surpassed the size of the US economy ($21,270 trln. vs $18,560 trln.).
That is why, you should not be afraid of slowing of the market growth rates or underestimate its perspectives: the market of cloud services still has a considerable potential. Even if the growth rates of the cloud services market slow down to 10% per annum since 2020, by 2030 the size of the market will have exceeded the $ 1 trln mark.

In its documentation prepared for the ICO, SONM refers to researches of the global cloud services market made by the Gartner analytical company. They are also very optimistic (See below).

Gartner is a company with a worldwide reputation and long history: "Gartner is the world's leading information technology research and advisory company. We deliver the technology-related insight necessary for our clients to make the right decisions, every day. Gartner has more than 13,000 associates serving clients in 11,000 enterprises in 100 countries". Thus, the choice of Gartner as an authoritative source of information for business documentation is approved.

In 2016-2020 Gartner forecasts the market growth by 15-17% per year:

	2016	2017	2018	2019	2020
Cloud Business Process Services (BPaaS)	40,812	43,772	47,556	51,652	56,176
Cloud Application Infrastructure Services (PaaS)	7,169	8,851	10,616	12,580	14,798

Cloud Application Services (SaaS)	38,567	46,331	55,143	64,870	75,734
Cloud Management and Security Services	7,150	8,768	10,427	12,159	14,004
Cloud System Infrastructure Services (IaaS)	25,290	34,603	45,559	57,897	71,552
Cloud Advertising	90,257	104,516	118,520	133,566	151,091
Total Market ($ bln)	**209,245**	**246,841**	**287,821**	**332,724**	**383,355**

Tendencies of Cloud Services Market

The market of cloud services is really growing, and more and more companies and various projects start realizing the advantages of working through the clouds: convenience and economic reasonability. **This is the main trend of this market**. The share of expenses for cloud services in corporate budgets is increased due to quick reduction of financing traditional IT areas. The main drivers are

- Replacement of CAPEX with OPEX,
- Need for flexibility and scalability,
- Lower total cost of ownership, and
- Temporary capacities shortage.

In addition to the market growth, one of the key trends is the fact that large players, such leaders as Amazon and Microsoft, are growing faster than the market, which is proved by the Synergy Research Group's study and official reports made by the largest players on the market. There is no sense to repeat figures from the SONM documents, they are relevant. The largest players are full of optimism about the future of the cloud services market and will do their best to grow faster than the market and competitors. Amazon Web Service (AWS) is a vivid example: AWS became the market leader due to its competitive advantages - services, speed of introducing new products, scalability, and low price. On the contrary, the lack of competitive advantages provokes an outflow of customers to competitors: this is what is now happening to Oracle Cloud, and what happened earlier to the HP Helion public cloud that was closed last year without reaching the payback capacity.

Another trend of the cloud services market is the sustainable price reduction for the end user. This process is similar to reducing the cost of cellular services. When mobile phones appeared, few people could afford them, not only because of the high price of the phone itself, but also because of the high price for cellular communication. As the market grew, the infrastructure developed, and the quality of services improved, cellular communications became generally available and indispensable. In our opinion, similar trends are already taking place on the market of cloud services and they will strengthen.

According to the 451 Research2, now is the beginning of a new stage of price wars between market leaders. Until recently, Amazon, Microsoft and other cloud companies have decreased prices mainly for virtual machines in the cloud. Now the price competition is related to the cloud storage. "Large cloud vendors are likely to play an aggressive game of catching up and to cut down prices for the object storage not to be expensive," said Jean Atelsek, 451 Research Analyst on Digital Economy.

Thus, to sum it up, the market is very much promising and interesting. Achieving success on this market will be based on solving the task – to offer high quality at a low price.

5. TEAM

Proof of developer

The team is not anonymous and active on a few social networks.

Experience

All information provided is given according to the project's official website, public sources, as well as the team members' LinkedIn and GitHub profiles.

Founders

Sergey Ponomarev (Github) - Founder, creator of the SONM multi-agent and blockchain technologies

Sergey Ponomarev is the Lead SONM platform developer, the creator of the SONM decentralized supercomputer architecture and the SOSNA globalOS concept.

He is experienced in smart-contracts development, Java, C++, C#, PHP, node.js and Solidity programming. Sergey has a background in p2p networks organization and research projects. He also has deep knowledge in program architecture and p2p networks.

Andrey Voronkov (LinkedIn) - Founder, CEO of DrugDiscovery@home project

Andrey Voronkov has a computer-based drug design PhD with a lot of experience in IT and biomedical startups. He is Scientific Director at the Digital BioPharm CEO and IVAO investment company.

Andrey has a lot of experience in preclinical drug development using molecular dynamics, docking, virtual chemical spaces processed via distributed BOINC computing and implemented in DrugDiscovery@home project in 2009. He is also a blockchain enthusiast since 2013, Python and R programmer.

Tech

Anton Tiurin (github) - Lead SONM P2P and PaaS Technology Developer
Anton is a senior software engineer in Yandex. Within the Cloud Department, Anton Tiurin is one of the leading Cocaine platform creators.
He has serious experience in load balancing: IPvS, nginx, nginx modules; containerization: Docker (contributor to Docker Distribution and Docker); Porto Python, Go, C++.
He is also engaged in distributed systems development: distributed consensus (Zookeeper, etc), data storage.

Max Taldykin (LinkedIn) - Smart-contract and SONM DAO Developer
Max Taldykin is a Haskell, Idris and Rust programmer.
He specializes in functional programming and formal methods aficionado.
Max is also an experienced smart contracts developer, currently working on provable off-chain computations for Ethereum.

Roman Sivakov (LinkedIn) - Development and Dev-ops Architect
Roman Sivakov is an experienced software/data architect.
His skills embrace mq, cashes, PHP, NodeJS, C, dag format blockchains, coreos, virtualisation (proxmocks, vagrant, Docker and Ansible. Being a fintech expert, he acts as an advisor in acquiring, mobile commerce, payment systems development and management, creation of various e-com models and approaches.

Nicolas Titov (LinkedIn) - Junior Smart Contracts Developer
Nicolas Titov has experience in PHP\HTML, SQL, C++\C#, Python development.
Besides, he is a Junior Solidity smart contracts developer.

Michail Ivanov (LinkedIn) - Dev-ops/System Architect
Michail Ivanov is an experienced cloud integration dev ops and IBM certified AIX administrator.
His background embraces UNIX, Linux, FreeBSD servers management; Zabbix, Fluentd, Chef integration, corporate IT infrastructure implementation (AD, GPO, DNS, DHCP, DFS; VPN, Radius, RDP).
Anastasiya Ashaeva (LinkedIn) - Machine learning and AI development
C#, NET, ML
Anastasiya has a background in neural network organization and is experienced in the field of machine learning algorithm development.
She also maintains interest in system analysis and AI development.

Anton Shchukin (LinkedIn) – Software Developer
Anton Shchukin is an experienced web, sharps, blockchain architect. His skills include php, MySQL, JavaScript.

Marketing

Arseniy Strizhenok (LinkedIn) – Marketing/IR
Arseniy Strizhenok is an IT marketer with 5 years' experience, Founder, Co-founder of IT startups/BizDev and mentoring since 2013 & experienced with IT, web-analytics, adTech, PR, as well as distributed ledger and blockchain technology. He has background in developing startups, worked as a business developer in few startups. He has passion in both fields: in developing IT start-ups and marketing analysis, ads, conversion optimization.

Alexey Antonov – Marketing & Financial Adviser
Alexey Antonov is an entrepreneur and blockchain technology expert.
He has launched several successful projects, namely Federal Finance and Financial Literacy non-profit organization.

He has a degree in computer security.

Oxana Lorie (LinkedIn) – Graphic/UI Design
Besides creation of SONM logo and style guidelines, Oxana is responsible for the interactive part of the SONM project to make sure the service is convenient in use for both miners and buyers.

Partners

Sergei Sergienko (LinkedIn) - Escrow Agent, Chronobank.io CEO
Sergei Sergienko is co-founder of Edway Group Ltd and Chronobank CEO.
Sergei has won a number of awards in business in Australia, including “Hot 30 under 30” and “Young gun in business”.
He has represented Australia in G20 summits and understands how to connect real and crypto world economies.

Advisors

Jake Vartanian (LinkedIn) - SONM Adviser. Blockchain Partners Director, Cryptodex Founder
Jake has been involved in cryptocurrency space since early 2011, trading and studying Bitcoin and the early altcoin markets. He founded Cryptodex in early 2015, and has worked on token launch campaigns, including SingularDTV, TokenCard, and the Bancor Protocol.
He currently focuses on delivering a clear and consistent narrative to communities, as well as analyzing and designing token models that provide long term sustainable growth.

Jaron Lukasiewicz (LinkedIn) – Adviser
Jaron Lukasiewicz has been a notable bitcoin and blockchain industry figure since 2012. Jaron recently served as CEO of Coinsetter, a New York City-based bitcoin exchange, and Cavirtex, a leading bitcoin exchange in Canada – both acquired by Payward Inc in 2016. Prior to founding Coinsetter, Jaron was a private equity associate at The CapStreet Group, an investment banker at J.P. Morgan, and began his career in private equity at SPB Partners. Jaron graduated from the Rice University on the President’s Honor Roll with a B.A. in Economics and has been featured in The Wall Street Journal, The Financial Times, Bloomberg, CNBC, Fox Business, TechCrunch, Mashable, Entrepreneur, Institutional Investor, Forex Magnates and other news media.

Alexander Rugaev (LinkedIn) - SONM Marketing Adviser, icopromo.com
Alexander Rugaev is a serial entrepreneur and one of the early blockchain supporters. He has experience in creating industrial grade Bitcoin and Ethereum mining farms.
He has 16 years of experience in e-commerce and online marketing.

Vasiliy Ivanov (LinkedIn) - ICO and Crypto Community Adviser
Vasily Ivanov has been an active member of the Cryptocommunity since 2011, ICO investor and cryptocurrency trader since 2013.
Internet marketer, he’s got some extraordinary experience in community management.

Conclusion

The company founders have a good experience in the business and investments. Company has strong technical command with the specialists that have work experience from blockchain. Marketing of project is executed at the high level, which can testify about the future the attraction of clients. Project is also supported by the qualified audit partner command, which can give valuable advice in the matter.

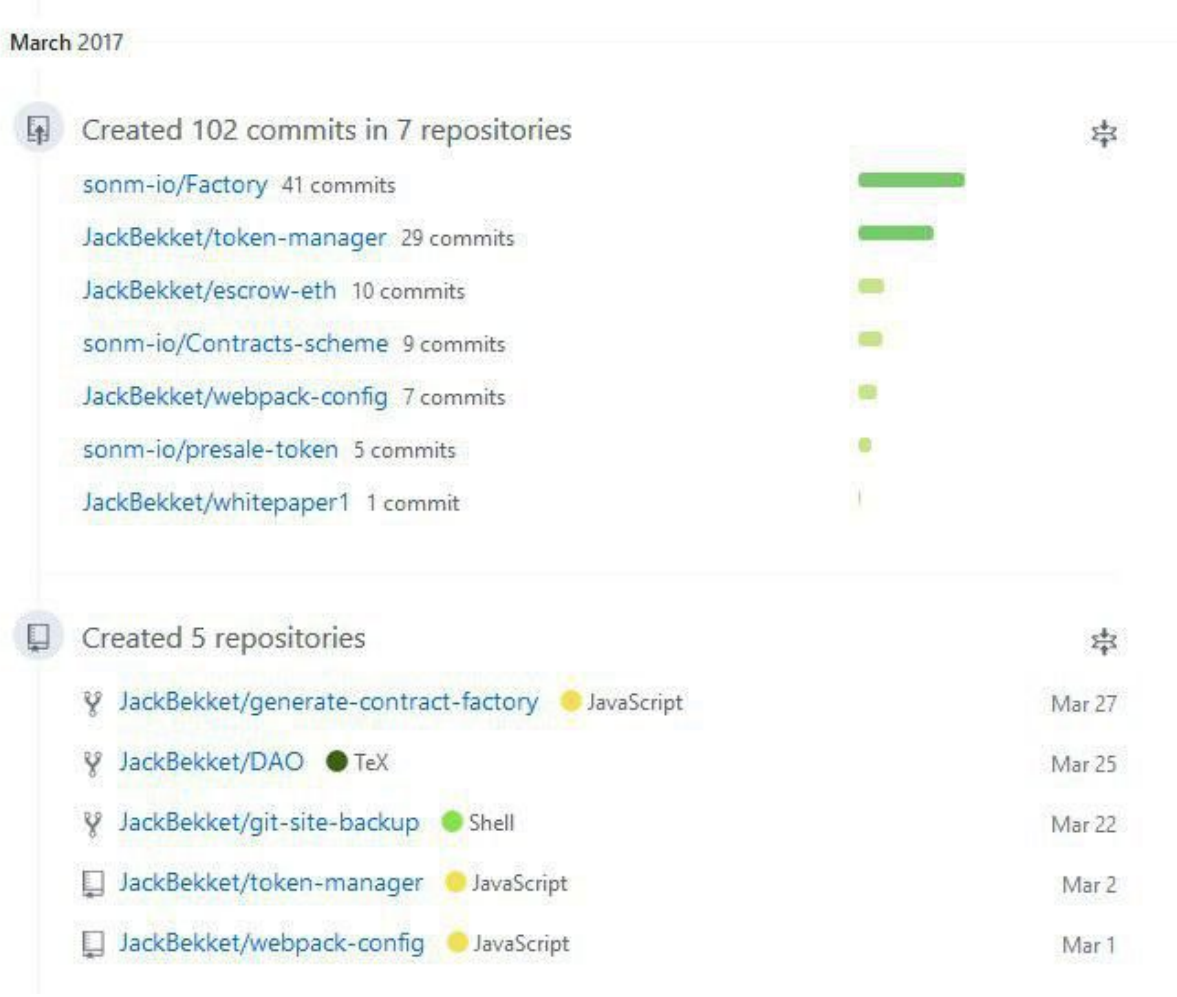
Activity

The team is active on Slack, Twitter, Facebook, Telegram, Bitcointalk, and via e-mail, answering the majority of user's questions. We could talk to the SONM's founders over e-mail and Telegram, and they answered our questions. The team periodically gives online interviews with the answers to questions of subscribers.

The team participates in several big crypto-events and conferences such as Consensus 2017, New York and Blockchain Expo, Berlin. Also, they have an active blog.

The team actively places its developments at GITHUB. It is necessary to note that their activity at github has started relatively recently. The first publication was made in January 2017.

The developers published the basic materials in March 2017:

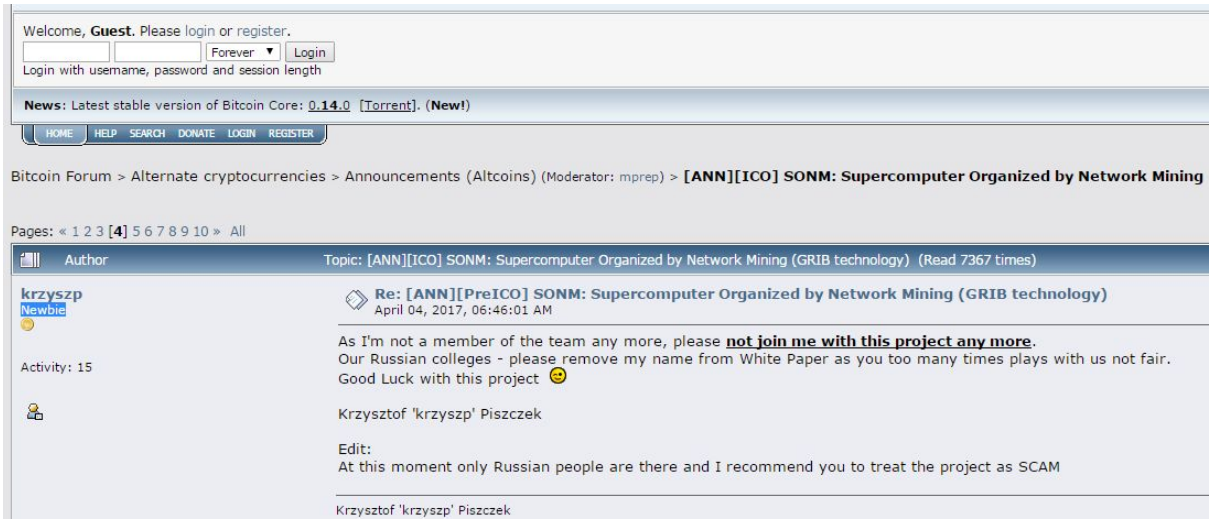


At the moment, developers have not placed a ready-made prototype of the system in their repositories.

It is necessary to note that the founder and main developer in the company Sergey Ponomarev was registered at gitgub on September 5, 2016 and publishes all information under the pseudonym JackBekket.

P.S.

We cannot ignore the unpleasant situation that occurred at the end of April 2017. One of the members of the development team Krzystof Piszczek negatively spoke about the project team and its developers on the Bitcointalk forum:



SONM representatives gave enough comments for the community to explain the situation. To our mind, the comments are exhausting. However, for the record, we must pay attention of the potential investor to the situation.

6. Strategy of the Project Development

The first risk for the project development strategy is the ICO success. The further development strategy of the project will depend on its outcome. The SONM team clearly confirms this in the Roadmap (see the picture below).

v.0.2 - PRINCIP (june 2017)

Tasks:

1. Adjustment of the development strategy based on the results of the ICO
2. Providing full information on the results of the campaign
3. Identifying the basic needs of the market, forming the target audience;
4. Support for interaction with the community
5. Identifying the target audience

With a minimum funding, SONM declares that it will be able to introduce the basic version of the product to the market. In case of sufficient funding, the basic version and additional products will be launched much earlier due to the parallel development program. Third-party contractors will be involved in the development and improvement of products.

The Roadmap from Whitepaper says that the first version of the platform will be available in August 2018 (picture below). As we understand, in case of successful ICO, the first working version of the platform can be expected sooner. The speed the project will be able to develop will influence not only the development strategy, but also the economy of the project (the relevant section discusses it).

It is important for SONM to create understandable and convenient software, as well as the relevant service quality. The service quality unlike the price is an internal factor the company can influence. The problem is that it is yet impossible to estimate the quality of the service. As an example SONM offers to look at the form of buying and selling the capacity.

At the current stage it is difficult to understand what development strategy SONM will follow. First of all, it is necessary to launch the functioning service. Secondly, it is necessary to provide the relevant quality. The quicker the project team will make the above in the Roadmap, the more chances for successful development.

7. Competitive Advantages of the Project

According to John Dinsdale, an Analyst of Synergy Research Group, the market should be divided into two segments: several leading large players, a lot of small and medium-sized companies, and niche service providers focused on a particular country or area, for example, Salesforce.com and Rackspace. According to the expert's estimates, small players have good opportunities for the growth, but it is unlikely that they will considerably influence the distribution of forces on the world market.

The scale effect is one of the most important indicators in the cloud computing segment that promises great performance and a relevantly lower price. AWS calls it a "virtuous cycle" (3.3 BusinessOverview).

The SONM project, at least initially, will not be able to take advantages of the scale effect. That is why the price becomes the main determinant of success for the economy of the SONM project. SONM is going to offer market pricing for computing capacities. Market pricing is considered to be the most effective. Players themselves (i.e. the market) will adjust the optimal price for their services. In case of such pricing, everyone can make money: those who provide capacities and those who need them. It automatically means that the price of such capacities should be lower than the prices of market leaders. Thus, **the price becomes the main competitive advantage of SONM.**

According to the calculations in the SONM documents: "The potential capacity of SONM in 8 exaflops is $900,000 x 120,000 = $108,000,000,000 under the AWS price list. Rounding and decreasing everything in the light of the worst expectations, we will get the opportunity to reduce the price 10 times in comparison with AWS, from the one that was in this example". It is necessary to take into account that these calculations are relevant only if there are capacities for 8 exfolfs that SONM will not have at the early stages of the project. It is also necessary to understand that no one will sell their capacities 10 times cheaper than AWS, 20% of the discount to the market average is enough.

Nevertheless, we will emphasize: pricing is still an external factor SONM can have only an indirect impact to. In particular, through commission charges: the minimum commission of SONM is specified in the documentation and used in the financial model - 0.5% of the turnover. However, the final amount of commission charges will be determined by DAO. Thus, it is the amount of the commission that will be used to increase the total cost of the capacity for the buyer. However, due to their insignificance, commission charges will not have a serious effect on the price.

The SONM project offers to use any capacities up to the Internet of Everything. It is possible to calculate the size of the market of potential computing capacity of personal computers and other gadgets suitable for computing only with a fair amount of assumptions. The figure will

unambiguously exceed 8 exflops calculated by SONM. Thus, we get **the second competitive advantage - potential huge computing capacity.**

Another question is whether SONM can achieve its "virtuous cycle" and use its competitive advantages in pursuit of its market share and niche. Large players try to make their clouds suitable both for independent developers and large companies including various state structures. The AWS has achieved success by offering a wider range of functions and scales of capacities than the competitors' ones. According to the Gartner's estimates, AWS offers as much computing capacity as 14 other largest players on the market in total.

Nevertheless, we think that having these two competitive advantages and providing a competitive level of quality, it is possible to succeed, or at least take the niche and enjoy a stable demand.

8. Risks of the Project

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1. **The most serious risk is actually the infancy of the project**
No product has been released even for the beta test, and the first working commercial version of the platform will be launched only in a year. At that time SONM tokens will start being used, i.e. during all this period their circulation on the secondary trades of the exchange will not be ensured by the demand for the token as an infrastructure tool (See Tokens Pricing).

2. **Speed of the decentralized platform**
Principles of the current blockhains operation suggest a delay in confirming the newly created blocks in a few minutes. And stable operation of modern websites and, more than that, game servers requires a high speed of processing incoming data.

3. **Conditions for storing files in the decentralized system**
In addition to the processing speed, the method of storing information in a distributed database also has its drawbacks. The matter is that file storages on the blockchain do not know anything about the contents of the file, and the website may need to search for information not only by using the file's identifier (or name) but also by its contents. That is why, in our opinion, hosting websites in the SONM system will not be demanded by large websites, at least until solving the above problems.

4. Capacity of the communication channel
On page 10-11 of the Whitepaper SONM representatives say that the drawback of the centralized cloud technologies is that some data to be processed in the cloud is so large that downloading it requires an adequate capacity of the communication channel. However, the technology of fog computing does not solve this problem: in order to download the same volume into the SONM system, similar capacity will be required.

5. Vulnerability to external attacks
SONM developers mention it as another drawback of private cloud systems. However, it is known that, although being more resistant to certain types of attacks, the block technology still does not guarantee complete data protection. We will also note that the ICO documentation does not contain enough information about security: it is not clear how it will be provided and what responsibility the developers will take.

It is necessary to say particularly about economic risks of the project and risks for investors - holders of the SNM tokens. To learn more, see Project Economy and Investment Attractiveness of Token.

9. Economy of the Project and Investment Attractiveness of Token

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In terms of the project economy, SONM is an infrastructure website where interested parties - sellers of computing capacities and their customers obtain the opportunity to carry out sales transactions. In accordance with this, the revenues of the capacity seller correspond to the amount obtained from the buyer, while the buyer's revenues correspond to the amount he/she can earn by using the purchased computing capacities. These revenues are in no way related to the SONM economy and have only an indirect relation to the profitability of the SNM token.

Schematically we understand the flow of funds within the SONM ecosystem as follows:

We will explain:
- Buyers and sellers of tokens pay a commission in percents from the total turnover,
- The commission is paid in the SNC crypto currency,
- The commission rate is determined by the DAO,
- All collected commissions are distributed among tokens holders as a dividend proportionally to the allocation rules specified in the SONM Business Review,
- For minority tokens holders (i.e. ICO members or buyers on the secondary market) the collected commissions are additional investment revenues,
- For the infrastructure website SONM is a source of financing operational costs, and
- For SONM employees this is a part of the salary (which allows reducing operating costs).

Thus, from the point of view of the project economy, it is necessary to ensure the coverage of the transaction costs by the dividend cash flow accrued to the tokens that make up the fund's ecosystem. Since there are no other forms of financing the operational activities of the infrastructure website, in the other case the project can be terminated.

This problem is solved by maximizing turnovers within the infrastructure website. It will also contribute to the growth of the token price and the total profitability of the token for minority holders.

Project Economy

We will repeat that the SONM business model does not suggest any deductions in its favor. All collected commission charges are distributed proportionally among all tokens holders. It is assumed that after the project launch all SONM operating expenses will be covered by dividends accrued on the tokens called within the ICO "SONM Ecosystem Fund tokens". Before the project reaches the target capacities, operational costs are expected to be financed at the expense of the capital - funds raised at the ICO stage.

Therefore,
- In the initial period after the ICO, the financial stability of the company-infrastructure operator will depend on the volumes of the raised funds: the more funds are attracted, the longer the infrastructure will function before reaching the project capacities,
- In the future financial stability of the company-infrastructure operator will depend on the turnover of capacities on the website: financial flows will be redirected – operating expenses will be financed at the expense of the dividend accrued on the token.

Thus, the SONM business model provides the maximum motivation and involvement of the team in the development process. However, this is a risk for minority tokens holders: in case of the deviation from the Roadmap, the developers may lack time to complete the development process (especially if ICO collects a lower amount than planned initially), because the capital will be used entirely. SONM can either lose the best representatives of the team (because of the inability to provide a fair remuneration for their work) or completely close the project.

In order to explain the low probability of such scenario in the Business Overview to the community, SONM offers extracts from its own financial model. The financial model considers two scenarios - pessimistic and optimistic. According to the pessimistic estimate, SONM will have enough capital to finance operating activities until 2023. Of course, this is a surplus time reserve to complete the development of all planned services.

We asked the SONM representatives to provide their financial model and audited it. SONM calculations are tied to the market share. The expansion into various segments of the market will be gradual, but in accordance with the financial model, the SONM cash flow will begin to generate in the III quarter of 2017 which does not correspond to the Roadmap. Volumes of the market correspond to the calculations of Gartner above. The shares of the market SONM is supposed to occupy do not seem transcendental as a whole: the pessimistic scenario assumes a 2.5% market share by 2021. So, the financial model can be assessed only positively: firstly, it is good that there is generally a financial model (a number of famous projects that have completed the ICO have not even provided it). Secondly, it is even better that the model is not utopian.

Below there are two reports about financial results.

Report about financial results when implementing the negative scenario

Report about financial results when implementing the positive scenario

It seems that a company remains unprofitable during the projection period under adverse circumstances. We consider this normal for a venture project since the losses are covered by the capital raised during the ICO.

The profit the company may earn under favorable circumstances is likely to be directed by the founders and investments into new developments, although the Business Review does not provide detailed information on this matter.

Thus, the project is undoubtedly subject to some economic risks. However, the team adequately applies the financial modeling of future cash flows, cost management and asset allocation following the ICO. It gives grounds to expect that the financial component will not have a negative impact on the implementation of the project.

SONM Token Investment Attractiveness Estimation

The price of the SONM tokens depends on the turnover within the system created by capacity sellers and buyers. Capacity buyers will generate demand for the tokens as an infrastructure tool to pay for capacity. The behavior of capacity sellers is unknown, they may generate token offerings that completely neutralize the buyers' demand, or keep the SONM tokens in their portfolios for investment purposes. In addition, there will be an additional investment demand from investors that do not participate in the capacity turnover.

Thus, for the total demand to permanently exceed the total supply, it is necessary:
a) To maximize the turnover within the SONM infrastructure, i.e. the cloud computing market grows and the quality of the SONM services enables to occupy, retain and increase market share,
b) For the project to generate cash flow as soon as possible, i.e. to launch the service.

It is necessary to note again that there will be no demand for the SONM tokens as an infrastructure tool until the project launch. From the fundamental point of view, there should be no investment demand; only dividends on tokens will justify their purchase by investors. In this sense, participation in the ICO may seem inexpedient.

However, SONM tokens have an important competitive advantage over other similar projects: the ICO documentation provides plans to buy tokens back on the market; the redeemed tokens are to be directed to the partial payment to new employees. As the SONM representatives estimate, redemption of tokens will reduce the free float of tokens by almost 10%. At first, the buyback expectations and then the buyback on the market (if the declared plans are implemented) will support the SONM token quotes before the project takes the planned market share.

Evaluations of the SONM tokens' investment attractiveness closely depend upon positive assessments of the future for the cloud computing market. If the project is

implemented in accordance with the Roadmap and the service quality complies with the declared one, it will undoubtedly take its share on the SONM market, and it may be considerably higher than that in the pessimistic SONM scenario. Taking into account the impossibility to evaluate the quality of the future service now, it is unknown whether the project will be successful. Nevertheless, we are sure that it is advisable to include the SONM tokens into long-term investment portfolios with the simultaneous diversification of the investments with tokens of similar projects.

The risks of the ICO participation are partly offset by the declared token buybacks. We assign the "better market" rating to the SONM tokens and recommend to buy those for diversified long-term portfolios provided they are properly arranged for the identified risks.

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Our goal is to increase the transparency and reliability of the young ICO market and to minimize the risk of fraud.

We appreciate feedback with constructive comments, suggestions and ideas on how to make the analysis more comprehensive and informative.