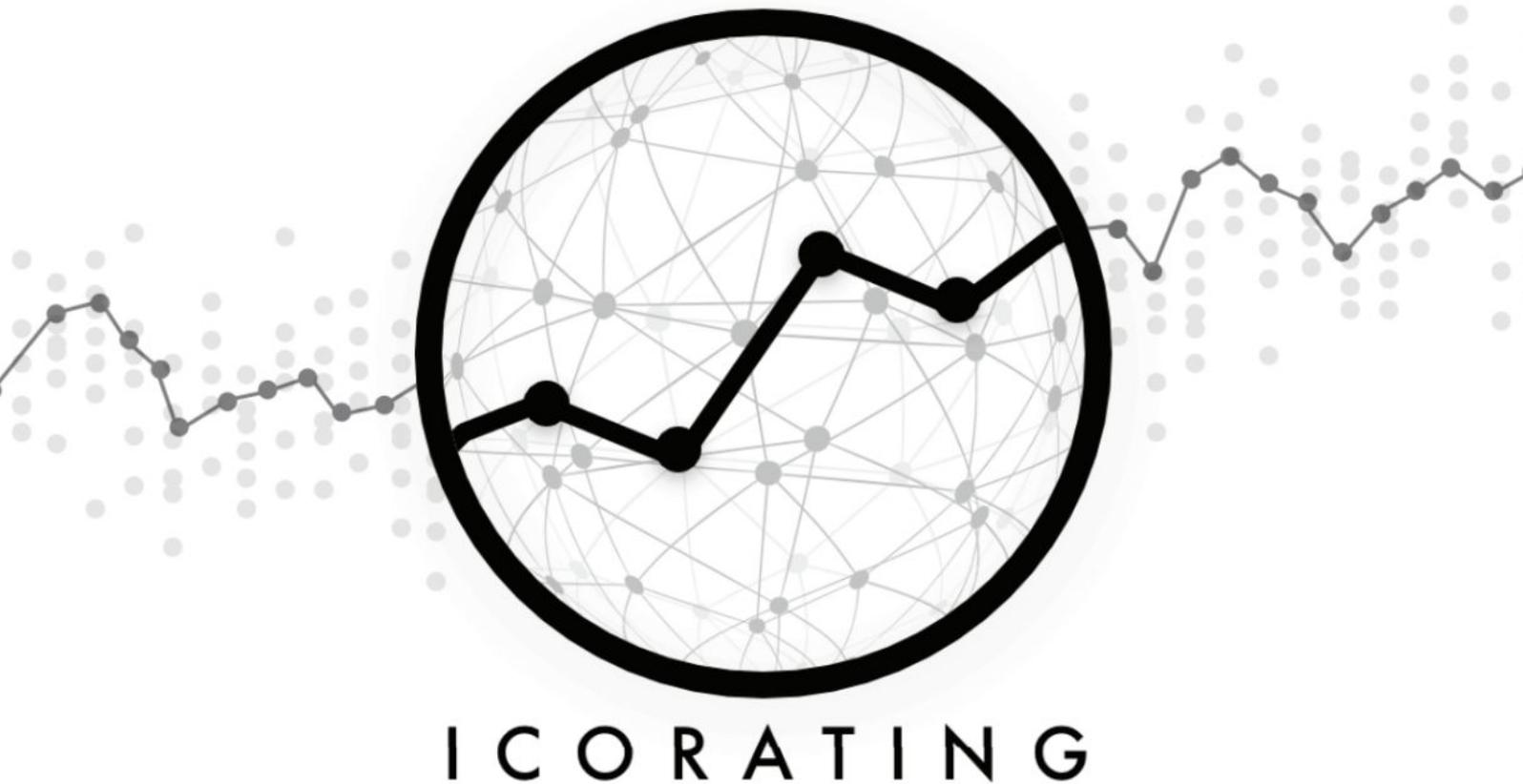ICOrating

ETHEARNAL Rating Review (https://ethearnal.com)

ICO dates (28.02.2018 - 31.03.2018)

Web: icorating.com

Email: info@icorating.com

Twitter: @IcoRating

1. Ratings

We assign the Ethearnal project a "Stable" rating.

The Ethearnal project is aimed at the dynamically growing freelancing market and aims to solve a number of current problems.

The project has a number of advantages which offer higher transparency compared to the majority of projects staging ICOs. There is also a guarantee of the return of a portion of funds to investors if they are not used correctly. However, this mechanism requires a high percentage (more than 81%) of the vote among minority holders.

Together with these features there are also a number of weaknesses for this project:

First of all, we did not see any explanation of how the platform and its future development are funded after it becomes self-supporting. There is no evidence of the existence of a financial model. The project does not provide for charging commission from users and, consequently, once tokens belonging to the team are unlocked and sold on the market, the founders will lack any motivation for further development of the business or platform support.

Other factors such as strong competition and an exchange rate risk prevent us assigning a higher rating to the project.

2. General information about the Project and ICO

The Ethearnal project is a platform for freelancing based on the Ethereum blockchain; it offers freelancers and employers an opportunity to solve teamwork issues one place, bypassing intermediaries.

Ethearnal is designed to solve a number of current market problems and it offers users the following features:

- Tokenized reputation
- Prevention of fraud
- Settlement of conflict situations
- Establishment of a mechanism for assessing trust for participants
- Reduction of commission

Website
Whitepaper
Smart contract platform: Blockchain Ethereum
Contract type: ERC20
Token: ERT

ICO:
Start date: 28.02.2018 (15:00:00 GMT)
End date: 31.03.2018 (24:00:00 GMT)
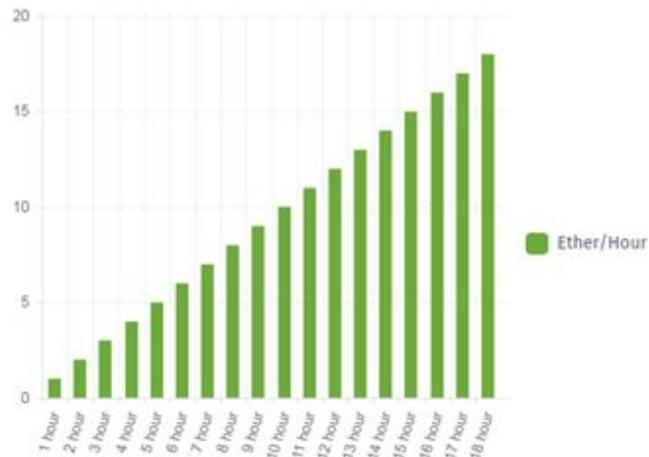**Token price**: 1ERT = 0.001 ETH (1ETH = 1000 ERT)
Soft cap: No
Hard cap: 30,000 ETH
Accepted payment: ETH

Tokens will be generated when funds from investors are received. The maximum possible number of tokens is 40,000,000. The dynamics of the hourly token sale the after the launch of the ICO are illustrated below:

Dynamic ICO hourly Cap

According to this diagram tokens can be bought only for 1 ETH in the first hour after the start of the ICO using a unique address, for 2 ETH in the second hour after the start of the ICO, etc. This mechanism, according to the founders, should contribute to spread of tokens among a large number of participants.

The following distribution of tokens is planned:

Token Distribution

-75% Public Sale
- 5% Bounties
-20% Founders
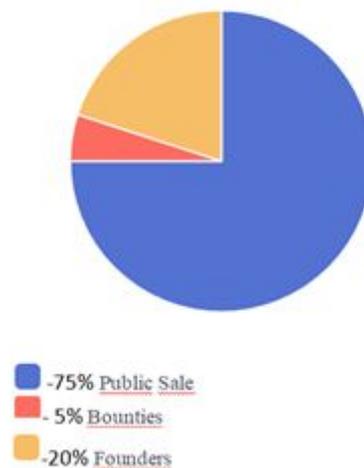
Tokens intended for the team (20%) and the bounty program (5%) will be generated one month after the start of the ICO, i.e. at the end date of the ICO, proportionately to tokens sold.

The diagram below shows the distribution of funds received during the ICO:

Funds Distribution

- -25%Product Dvelopment
- -5%Legal, Administrative
- -70% Marketing The Product
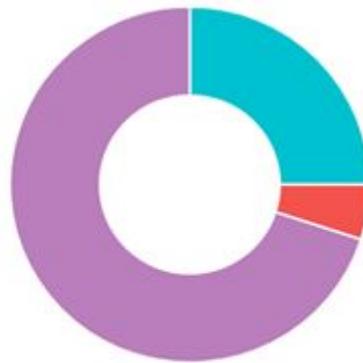
*V note there is a typo in this graphic which is now fixed on the site.

There will be no additional emission of tokens after the end of the ICO.

3. Description of the services and scope of the project

The Ethearnal project is a peer-to-peer (P2P) platform for freelancing where employers and freelancers connect with each other and enter into smart contracts with a conditional deposit of funds, independently setting requirements for the counterparty's reputation and using a decentralized system of moderators to resolve disputes as required.

Freelancers create lists presenting their services and publish them on the platform using a web client. To ensure a return response, the project uses IPFS (interplanetary file system) to hold and distribute these lists of freelancers on a peer-to-peer basis. IPFS is more suitable for posting lists of freelancers; responses from employers are available via regular HTTP.

Employers look for specified lists via the same web client or publish job offers for freelancers in a searchable form. The list compiler (freelancer or employer) decides the size of the reputation (expressed in ERT Tokens) necessary for the smart contract. He makes this decision based on the value of the smart contract and his own risk preferences.

All Ethearnal contracts have guaranteed reputation, tokenized in ERT.

The result of the implementation of such smart contracts involve 3 possible scenarios:

1. Both parties to the contract are satisfied: In this case, the participants execute the smart contract themselves without involvement of a third party; they are awarded reputational ERT Tokens in proportion to the value of the smart contract.
2. A controversial situation with at least one side unhappy: In this case, a pool of moderators intervenes and decides in whose favor to resolve the dispute on the basis of voting.
3. Both parties decide to cancel the smart contract: In this case, the smart contract is terminated after a predetermined time. Funds and ERT staked are returned to participants.

If both parties to the smart contract are satisfied, 99% of the value of the contract in deposited ETH is transferred to the freelancer. The remaining 1% is used to purchase ERT Tokens on the open market at a cost price, to be distributed equally between employer and freelancer. This gives 0.5% of the cost of the smart contract

to each party in ERT tokens and increases each participant's reputation in proportion to the cost of the project.

The emergence of a controversial situation automatically leads to moderator involvement. Every moderator can stake a minimum of 5% the predefined value in the job listing, and no more than 33.4%. Effectively then, the employer, freelancer, and pool of moderators all have the same total reputation at stake. All moderators collectively need to have the same amount at stake as the other sides. Once enough moderators have entered the pool, so that their collectively staked ERT tokens are equal to that of the other parties, the moderation process starts.

When the dispute is concluded:

- The winning side (either freelancers or employer) receives the contract value from escrow, his staked rep back, and the rep of the minority voted mods.
- The losing side (either freelancers or employer) loses only his staked rep if the freelancer and the staked rep AND the money in escrow if the employer.
- The majority vote mods receive (proportionally to their stakes) the rep of the losing side (either freelancers or employer).
- The minority vote mods lose their reputation at stake to the winning side (either freelancers or employer).

Any interested party who has enough ERT in his wallet can become a moderator. This is enough to meet the minimum required guarantee (10%).

A moderator needs to stake at least 5% (max. 33%) of the required minimum stake value, which is set by whoever has created the listing/job offer.

For example if the stake value has been set to 100 ERT by the employer who created the job offer, everyone that has at least 5 ERT to stake, can act as a moderator for the dispute.

In the latter case, employer and freelancer close the smart contract by mutual agreement and each party receives what the contract guaranteed (ETH and ERT to the employer and ERT to the freelancer)

In our opinion, the chosen technology is suitable for the Ethearnal project. The functions of the dispute resolution platform, blockchain technology and the use of escrow make the interaction process safe and of interest to participants in this market.

Currently, the project has an alpha version available.

4. Market review

4.1 Market analysis

According to [«Freelancing in America: 2017»](#) research commissioned by Upwork and the Freelancers Union, the amount freelance work undertaken by qualified professionals in the US is increasing every year.

The US freelance market is growing faster than total number of personnel in the US, outpacing labor growth rates by three since 2014. In 2014, the market totaled 53m people and grew to 57.3m in 2016 (an increase of 8.1% from 2014), while the American workforce has grown from 156m to 160m people during the same time period (an increase of 2.6%).

At current growth rates, freelancers will represent the bulk of the US workforce by 2027.

European statistics are equally compelling: since 2004, the EU has seen a significant increase in the number of freelancers which are a huge segment of the labor market (up to 25%) in various fields.

Freelancers are now employed by virtually all types of business.

According to [research](#) by the international financial company Payoneer, the average hourly rate of a freelancer in 180 countries studied is $21. According to the results, freelancers work 36 hours a week on average (7.2 hours per day with a 5-day work week).

Based on the statistics above, we can conclude that the average monthly income of a freelancer is $2268. The average freelancer works for 4.5 clients every month.

For the most part, freelancers claim that the amount of work they receive online has been increasing lately. At the same time, it takes the overwhelming majority (77%) of freelancers less than a week to find work online.

Thus Ethearnal plans to occupy a growing market, which is one of the main reasons to support the project, the fact that the freelancer growth rate is outpacing labor force growth rates is an additional factor that may contribute to its successful implementation.

4.2 Competitors

The current freelancing market has a number of established classical electronic labor exchanges with multi-million audiences:

- [Freelancer.com](#), formerly GetFreelancer; more than 20 million freelancers are registered here. The platform charges commission on both sides of between 3 to 10% and a membership fee of $0.99 - $49.95 per month.
- [Upwork](#), formerly oDesk, merged with Elance. Commission for one-off projects is 20%. If a project is long-term, the user subsequently pays 10% and 5%.
- [Fiverr](#), any service costs $5; commission from each sale is $1, equivalent to 20% of the cost of the service.

There are several blockchain platforms developing simultaneously, such as:

1. [BlockLancer](#).

Blocklancer is a distributed autonomous job market (DAJ) on the Ethereum platform, a fully self-regulatory platform for job search and project execution. The platform also solves some common difficulties for freelancers:

- No fake reviews
- Guarantee of payment for freelancers
- No intervention in processes between clients and freelancers from platform owners

The Blocklancer smart contract fully guarantees compensation to a freelancer; however, a client pays for work only if he is 100% satisfied. Disagreements between client and freelancer are decided by token holders, who are rewarded and have voting rights in the arbitration court, while token holders ensure honesty and transparency on the platform.

Project tokens can be compared to shares, since they are a share in the project and the platform is completely owned and subordinated to token holders; no one can interfere with the operation of the system.

The platform charges a commission of 3%.

Currently, an alpha version of the platform is operating and has more than 15,000 registered users. The token sale has collected more than $3.5m.

2. The BitJob project, which is a platform for student freelancing; its ICO has already been staged and has attracted more than $2.5m. The launch of a public beta is scheduled for Q1 2018.

3. Coinlancer ICO has attracted more than $11m. Commission on the platform is 3%. Tokens are already being traded on several exchanges.

Ethearnal has a number of advantages over other freelance exchanges:

- Costs on the platform are lower. The platform does not set itself the goal of turning a profit. The commission of 1% is intended for the purchase of tokens on the open market and subsequent distribution among contract participants as reputation tokens in equal parts. From the economic point of view, freelancers loses 0.5% of the amount that customers pay. The platform itself does not hold anything.
- A safe form of payment in ETH which protects the interests of participants. However, it should be noted that this advantage is not unconditional, since the transition for classical platforms to blockchain is just a matter of time; the experience of successful start-ups in this area confirms this.

As we can see, the idea of the project is not new. Ethearnal competes in an emerging market where leaders have already emerged. First of all, this concerns classic freelance exchanges, for which the transition to new technologies is a matter of time. In order to stand out and take a niche, a large-scale marketing strategy and the consistent realization of all stages of development will be required.

5. Team and stakeholders

A team of 7 people is working on the implementation of the Ethearnal project.

Leading positions are occupied by:

Stanislav Uzunchev ([Linkedin](#)) Co-Founder of Ethearnal.

Has worked for the company since the beginning of 2017 as its co-founder. A marketer, he has experience as a freelance programmer. The founder of Youngceaser in 2012. Sphere of activity - digital marketing services.

Education:

- [Sofia University St. Kliment Ohridski](#)

Vladimir Vladimirov ([Linkedin](#)) Co-Founder of Ethearnal.

Has worked at Ethernal since February 2017. Internet entrepreneur and investor with 18 years of experience in online business.

Dobri Stoilov ([Linkedin](#)) Senior back-end (python) developer.

Senior software developer and senior network administrator at WET Well Forgotten Technologies since 1988. Coding of software solutions based on Python.

Education:

- [Sofia University St. Kliment Ohridski](#)

Roman Storm ([Linkedin](#)) Smart Contracts Developer.

Engineer and programmer, works as blockchain developer at Blockchainlabs.nz.

Previously:

- Software engineer for Amazon
- Senior Software engineer at UserTasting

Education:

- [South Ural State University (SUSU)](#)

Rami Spasov ([Linkedin](#)) PR Manager of Ethearnal

Has worked at Ethernal since October 2017. Technical physics specialist, speaks 7 languages.

Education:

- [Technische Universität Wien](#)

The project has no advisors.

The team has software developers, marketing and PR specialists. Third-party specialists will be involved as required to solve legal issues. There are no specialists in the field of finance in the team. Based on data from open sources, there is no more detailed information about the experience and education of the team members. The team does not have any previous collectively implemented projects. Expansion of staff is planned.

6. Token analysis

ERT is an Ethereum blockchain cryptographic ERC20-standard token, available for storage in a variety of wallets compatible with this standard. ERT is a utility token intended for use within the Ethernal platform.

GitHub hosts a [smart contract repository](#)**:**
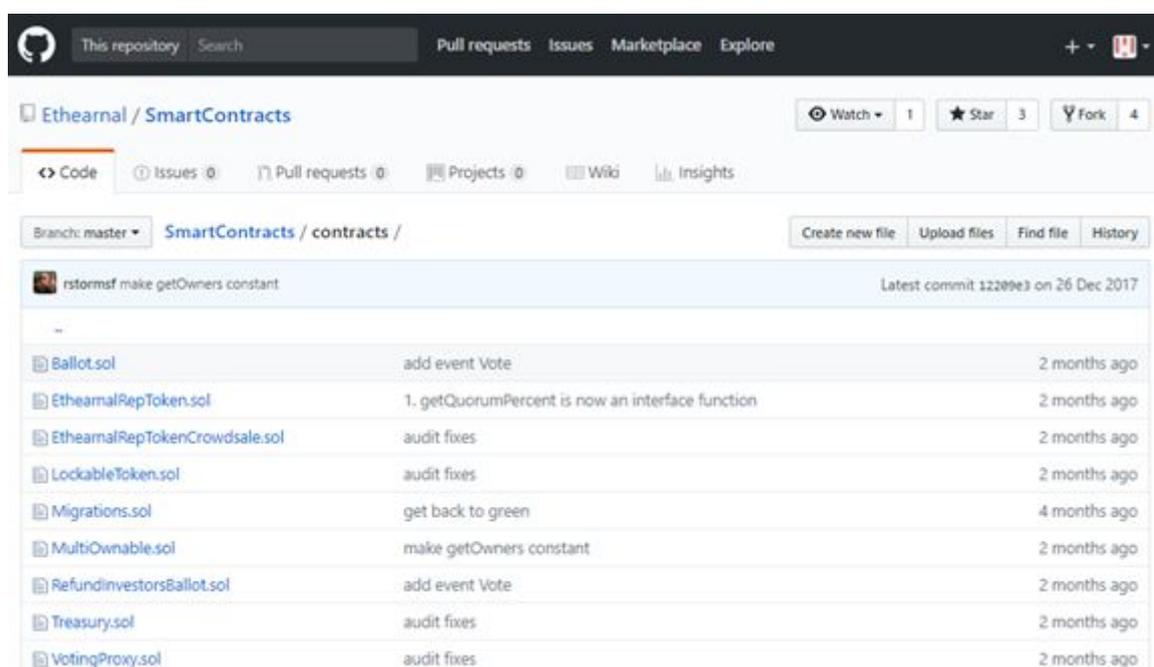
Token name - Ethearnal Rep Token
Symbol - ERT
Decimals - 18

Transactions based on the terms of the smart contract between freelancer and employer are conducted in ETH.

The main functions of the token are the assessment and repayment rate for the counterparties, which enables:

- Freelancers to conclude smart contracts with employers
- Employers to hire freelancers
- Moderators to regulate disputes between employers and freelancers

It is important to note that only 10% of funds raised are to be released immediately after the end of the ICO. The remaining 90% of funds and founders' tokens remain blocked in the smart contract. When 10% of funds are spent, it becomes necessary to release an additional 10% of the remaining funds, and the project's management initiates the voting process. Each token holder votes proportionally to its number of tokens, sending a simple transaction to a smart contract. If less than 51% of votes are received, there is no additional unlocking of funds. The team will continue to work until they convince token holders of their effectiveness. The quorum for voting is 51%. If the quorum is not reached, it decreases every week by 10%.

Anyone holding at least one ERT Token can initiate the process of sending a simple transaction to a smart contract and begin thereby returning blocked funds at any time. If 65% of tokens vote for a return, the project is terminated and all remaining funds are returned to ICO investors in proportion to the number of tokens hold. Since project participants can work with only 10% of funds raised at any time, in the event that the project management ceases to fulfil its obligations, ICO investors will be able to recover their funds.

We think that the role of the ERT Token as a reputational token is justified. However, the fact that basic transactions between participants take place in a different currency will significantly reduce the token's turnover.

The mechanism for guaranteeing the return of a portion of funding implies participation of a high percentage of all token holders in voting processes, since 20% of tokens blocked for the team also have the right to vote on this issue. Thus, to make a decision on the return of funds:

- Over 81.5% of minority shareholders must vote in favour, assuming 100% participation by minority shareholders.

- In the event that less than 81% of token minority shareholders participate in voting, the founders will be able to resolve this issue in favor of being subsequently able to use the funds.

In the event that the percentage of voters turns out to be low and the founders vote against a refund, a further decision by 51% of holders will be required to release 10% of funds from escrow. This mechanism reduces investment risk for token holders; however, taking into account the tokens' share, the team also implies a high percentage of voter participation among holders (with 80% participation, about 79% of minority holders need to vote for a refund).

7. Analysis of factors affecting the future value of the token

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ERT tokens are utilities, so the number of platform users, the token usage model and the pricing mechanism on the platform will be the main factors affecting supply and demand.

Since prices for services are informed by the market, although transactions between freelancer and customer will be conducted in ETH, eventually the cost of work will be calculated and paid in fiat based on market prices.

The reputational part of the contract will eventually be tied to the value of the contract in fiat currency. This is easily explained by the logic of reasoning that the risk can be estimated in monetary terms and as a rule, it can make up a percentage of the value of the contract.

Assuming growth in the number of platform users, there will be an increase in token demand; this should contribute to the growth of the price since the number of tokens in the system is limited. However, we can say that the increase in token price will entail fewer tokens for assessing a reputation. Thus, an increase in the number of users will not cause a proportional increase in token price. Therefore the token price is likely to remain stable, with the main factor affecting the token price being market price for work in the freelance market. The fact that 1% of funds from each successful contract will be used to buy tokens on the open market will not have a significant impact on the price, since in a closed system the number of tokens will remain constant, and tokens received as reputation can be realized by holders on the open market. There is thus one more factor that will contribute to price growth. Each user will have to maintain a minimum reputation, and a portion of tokens will remain out of circulation for this reason. However, there would be no linear relationship between growth in the number of users on the platform and increase in the token price.

The documentation lists parties who may have an interest in token purchase:

- Freelancers
- Employers
- Those seeking extra income via moderating

- Those who believe in the project's solution and believe the token will appreciate due to its real utility - who seek a percentage of the profits of this project which has potential to disrupt a $1T+ industry.
- Pure speculators looking to make a quick flip. This is unavoidable.

As we have discovered, the token price will remain stable due to the influence of opposite factors, this can become a reason for greater influx of users to the platform. However, purchase of tokens by all the above-mentioned groups is not justified at the current time. There is no bonus system of interest to short-term speculators. There are no tools to increase investment attractiveness for medium-and long-term holders.

In this case, the mechanism of the platform is designed in such way that all factors aimed at increasing number of users will contribute to the growth of the scale of the platform but will not lead to a comparable increase in the exchange price of the token. The price will be derived from the required level of reputation. Any participant will be able to buy tokens in the future if necessary, due to their price stability.

8. Investment risks analysis

In studying the available information we have identified a number of risks that could influence the future development of the project.

First of all, we think that the economic model proposed by the founders does not imply long-term development, due to the fact that the platform lacks a commission. We did not receive an explanation regarding the platform's future functioning. Sooner or later the question will arise as to how to maintain and expand the functionality, introduce new technologies, carry out marketing, provide legal support, etc. In addition, there is the question of expanding the staff. According to information received from the founders, when certain goals are achieved staff will be increased, but the platform cannot generate the necessary funds.

The hard cap is tied to ETH. The funds received during the crowdsale will also be stored in ETH and the project has an exchange rate risk due to the high volatility of the crypto market.

Strong competition supplements all of the above. There is a risk that the project will not be able to occupy its desired market share due to the rapidity of the introduction of new technologies by all market participants.

At the same time, it should be noted that unlike most emerging projects, the founders offer mechanisms to improve confidence among investors. Thus, unlocking of funds and a voting mechanism for the return of funds will make use of funds more transparent, although we must also take into account the fact that 20% of tokens blocked for the team still participate in voting, therefore in the event of a low quorum, they could easily influence voting results.