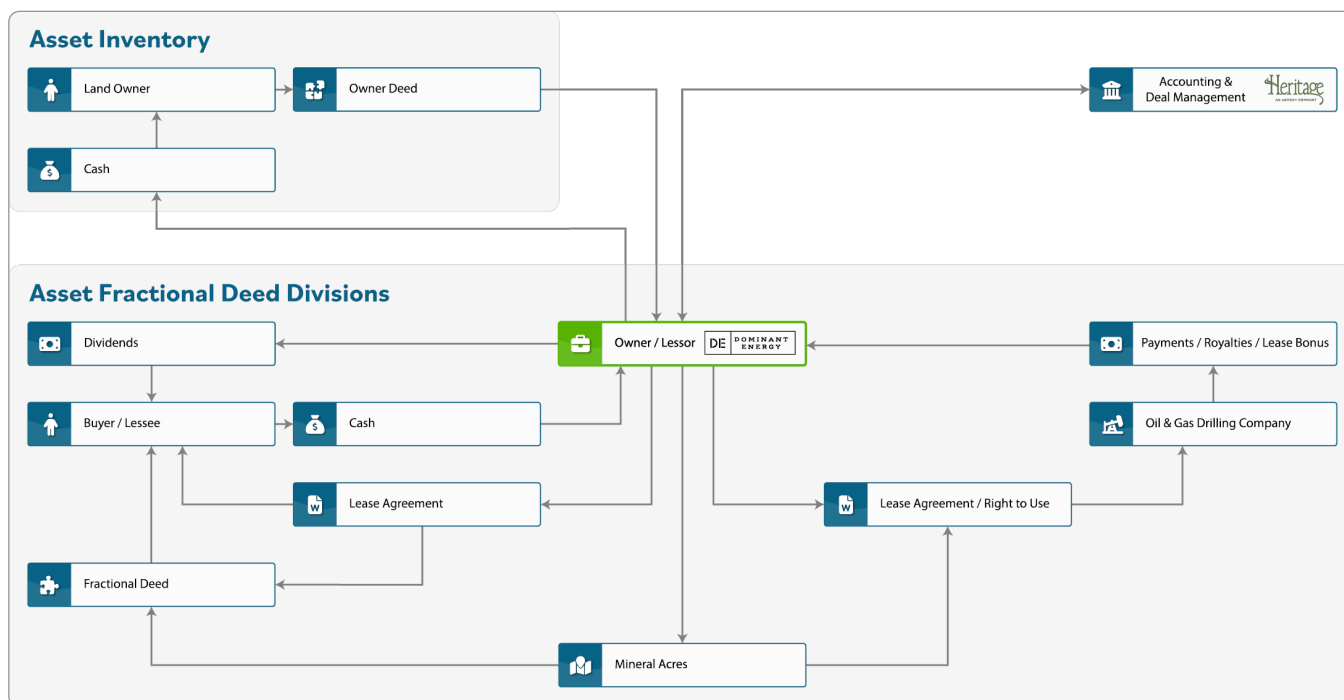


Comprehensive Solution for Tokenized Fractional Energy Assets

Ron Swartz and Michael Conolly :: March 25, 2024

1 CURRENT STATE



Traditional Non-Tokenized Fractional Ownership

- Traditional non-tokenized fractional ownership refers to the concept of multiple individuals or entities sharing the ownership of a single asset without the use of blockchain or digital tokens to represent their shares.
- Each owner holds a fraction or percentage of the asset, entitling them to a corresponding share of the benefits, such as usage rights, income generated from the asset, or a portion of the proceeds if the asset is sold.
- These shares are typically governed by legal agreements that outline the rights and responsibilities of each owner.

Privileged Access to High-Value Assets

- In the traditional investments model, ownership has a hefty price tag.
- This limits access to high-value assets to a small group of investors.
- High entry barriers exist for small investors.
- Tokenization enables smaller amounts of capital.
- Fractional ownership offers financial inclusion for a diverse and global audience.

Limited Liquidity

- Traditional markets are highly illiquid.
- By using tokenization, investors can easily buy or sell fractional ownership of digital tokens on blockchain platforms.

Transparency and Security Limitations

- Investor reliance on trustworthiness of offering entity.
- Blockchain technology provides greater transparency and security.
- All transactions are recorded on the blockchain.
- Reduces risk of fraud and increases trust in the investment process.

Process Inefficiencies

- Outdated or manual processes' reliance on paper-based documents or Excel spreadsheets vs. digital solutions.
- Manual handling of tasks that could be automated result in workflow inefficiencies.
- Bottlenecks occur when a particular stage in the process slows down the overall flow.
- Limited ability to monitor execution of processes leads to issues going unnoticed and unaddressed.

Blockchain fractional ownership is a game-changer, democratizing investment opportunities and creating a more inclusive financial landscape. By leveraging blockchain's security, transparency, and automation features, investors can access previously unattainable assets while enjoying enhanced liquidity and diversification benefits.

While challenges exist, the potential for growth and innovation in the world of blockchain fractional ownership is vast, making it a compelling option for investors looking to unlock the full potential of their investments. As such, the opportunity exists to evolve the current Dominant Energy business model by leveraging blockchain technology to:

- **Implement Tokenized Fractional Ownership:** Offers investors a portion of high-value energy assets using utility tokens that enable proportional sharing and distribution of dividends produced by those assets.
- **Create Smart Contracts for Investment Automation:** Smart contracts, self-executing contracts with predefined terms and conditions, play a pivotal role in blockchain fractional ownership. These contracts automate the investment process, ensuring that ownership rights, dividends, and other benefits are automatically distributed to investors. This automation reduces administrative burdens, streamlines operations, and eliminates the need for intermediaries.
- **Streamline Processes:** Simplifies the distribution of dividends and reporting through the use of smart contracts.
- **Provide Security and Transparency:** Blockchain technology is renowned for its security and transparency features. Every transaction on the blockchain is cryptographically encrypted and time-stamped, making it virtually impossible for malicious actors to tamper with the data. Additionally, since blockchain is decentralized, there is no single point of failure, further bolstering the security of fractional ownership investments.
- **Implement Transparent Transactions:** Enhances transparency in the movement and allocation of ownership, building investor trust.
- **Broaden the Investor Base:** Opens investment up to a wider audience by lowering minimum investment thresholds through fractional utility tokens.
- **Facilitate Democratized Access:** Lowers the entry barrier for individuals to invest in high-value energy assets. Before blockchain fractional ownership, investing in high-value assets was a privilege. It was only reserved for wealthy individuals or institutions. Now, with fractional ownership, anyone can take part in these markets. The barrier to entry has been lowered. This democratization of investments opens new opportunities for investors.
- **Increase Liquidity:** Allows investors to buy and sell fractions of ownership, making energy asset investment more accessible and liquid, and easier to buy and sell. Historically, investing in illiquid assets posed significant challenges. Selling or divesting from these assets was time-consuming and costly. But blockchain fractional ownership introduces liquidity to these markets. It allows investors to trade their fractional shares seamlessly. This increased liquidity enhances portfolio flexibility and reduces investment risk.
- **Offer Flexible Investment Sizes:** Enables investment with smaller, more manageable amounts.
- **Enable Portfolio Diversification:** Enables investors worldwide to diversify their portfolios by investing in revenue producing energy assets with ease. Fractional ownership on the blockchain is not constrained by borders. Investors from anywhere in the world can buy and trade digital tokens. Thus, it makes it easier to access and invest in assets located in different countries or regions. Diversification is a fundamental principle of sound investing. So, spreading risk across different assets is essential to mitigate potential losses. Fractional ownership facilitates diversification. It enables investors to build a diversified portfolio across various asset classes. A well-diversified portfolio can improve long-term returns and protect against market volatility.
- **Accelerate Financing:** Facilitates faster invoice financing by tokenizing and selling them to investors, improving cash flow.
- **Reduce Risk:** Enhances the verification and auditing of invoices, reducing the risk of fraud.

Dominant Energy Tokenized Fractional Energy Assets (TFEA) Solution

Building a comprehensive platform for tokenized fractional ownership of energy assets (e.g., mining / mineral rights) requires careful consideration of regulatory frameworks, user needs, and the specific characteristics of the asset class being tokenized.

This implementation will rely on access to subject matter experts, regulatory and legal experts; and will require software and data architecture design, blockchain development, and ensure a smooth user experience (UX/UI).

The solution will be implemented as a web application and as native apps for smartphones and tablets (iOS and Android).

Below are anticipated software modules and focus areas to ensure the platform's successful development.

1. Tokenization Module:

- a. Manage the complete token lifecycle on the blockchain, including creation, issuance, transfer, redemption, and compliance.
- b. Responsible for creating digital tokens representing fractional ownership of mining / mineral rights, and other energy assets.
- c. Supports various token standards (e.g., ERC-20, ERC-721) based on the blockchain platform used.

2. Smart Contracts Module:

- a. Facilitates intra-network communication and data exchange to set up deals.
- b. Implements smart contracts to automate and enforce the terms of ownership agreements.
- c. Manages revenue distribution, voting mechanisms, and other contractual obligations.
- d. Ensures transparency and trust through self-executing code on the blockchain.

3. User Management Module:

- a. Verifies the identity of token holders to ensure compliance with regulatory requirements.
- b. Implements Know Your Customer (KYC) and Anti-Money Laundering (AML) FINRA processes to enhance security and legal compliance.
- c. Manages sensitive information via user permissions and authorizations.
- d. Implements secure user authentication and authorization mechanisms to ensure only authorized individuals can access and trade tokens (Auth0).

4. Legal and Compliance Module:

- a. Handles legal documentation related to ownership rights and contracts.
- b. Ensures compliance with local and international regulations governing mining rights and asset tokenization.
- c. Facilitates the integration of legal agreements with blockchain-based smart contracts.

5. Investor Management Module:

- a. Manages the onboarding of investors onto the platform.
- b. Provides an intuitive dashboard for investors to track their holdings, view transaction history, and manage their portfolio.
- c. Supports localization and personalization for global acceptance.
 - i. Personalization is the process of tailoring content to meet specific needs, preferences, and behaviors of our individual users or segments.
 - ii. Localization is the process of adapting our content to the cultural, linguistic, and legal norms for our target markets or regions.
- d. Automates dividend distribution with real-time tracking of payouts.
- e. Facilitates communication and updates between the platform and investors.

6. Trading and Liquidity Module:

- a. Ensure secure asset protection through self-custody or 3rd party custody services.
- b. Enables the trading of tokenized assets on the platform.
- c. Facilitates secondary market (DEX) transactions on decentralized finance (DeFi) platforms to ensure sufficient liquidity for token trading.
- d. Provides users with digital wallets to store and manage their ownership tokens securely.
- e. Implement an order matching engine for peer to peer trading of ownership tokens on a secondary market.
- f. Integrate market data feeds to provide real-time pricing information and enhance transparency.
- g. Perform compliance monitoring of trading activities to detect and prevent fraudulent or suspicious behavior, ensuring compliance with regulations.

7. Asset Management Module:

- a. Tracks and manages details related to the underlying tokenized energy assets.
- b. Provides real-time updates on the status of mining operations, production, and revenue generation.

8. Reporting and Analytics Module:

- a. Generates reports on token issuance, trading volumes, investor demographics, and compliance metrics, asset performance, revenue distribution, and other key metrics.
- b. Offers data analytics tools for investors and platform administrators to assess the health and profitability of the assets, analyze market trends, investor behavior, and asset performance.
- c. Incorporate a Geographic Information System (GIS) to:
 - i. Provide a map-based view of assets.
 - ii. Drill-down to underlying data from map objects.
 - iii. Option to have a satellite view.
 - iv. Option to have a webcam "live" stream of deeded property.

9. Blockchain Platform Integration Module:

- a. Integrates with the chosen blockchain platform (e.g., Ethereum, XRPL, HBAR, Solana, etc.) to ensure seamless security, transparency, and immutability of token operations and ownership.
- b. Manages wallet integrations and secure storage of digital assets.
- c. Provides API integration with third-party services such as payment gateways, identity verification providers, and regulatory compliance tools.
- d. Integrates with external asset registries or databases to streamline the tokenization process for different asset types.

10. Security and Auditing Module:

- a. Implements robust security measures to protect user data and assets.
- b. Facilitates regular audits to ensure compliance, security, and transparency.

11. Communication and Notifications Module:

- a. Enables communication between stakeholders, including investors, administrators, and legal entities.
- b. Sends notifications for important updates, events, or changes in ownership.

4 PLAN



NAME	Due Date	2023	2024	2025	2026	2027	2028
▼ Dominant Energy							
◆ Begin Project (May 1, 2024)	May 1		◆	Begin Project (May 1, 2024)			
◆ Platform / Vendor Evaluation	Jun 30		◆	Platform / Vendor Evaluation			
◆ Tech Stack Selection	Jul 30		◆	Tech Stack Selection			
◆ Proof of Concept	Sep 2		◆	Proof of Concept			
◆ Feasibility Study	Sep 29		◆	Feasibility Study			
◆ Environment Standup	Oct 1		◆	Environment Standup			
◆ Prototype	Oct 27		◆	Prototype			
◆ Software Release Plan	Nov 27		◆	Software Release Plan			
◆ Communications Plan	Jan 27 2025			◆	Communications Plan		
◆ Marketing and Sales Plan	Jan 27 2025			◆	Marketing and Sales Plan		
◆ Training Plan	Dec 27			◆	Training Plan		
◆ 24/7 Support Process and Plan	Dec 27			◆	24/7 Support Process and Plan		
◆ Commercial Release Beta 1.0 (EA...)	Jan 24 2025			◆	Commercial Release Beta 1.0 (EAP / Parallel Test)		
◆ User Engagement (Early Adopter)	Jan 23 2025			◆	User Engagement (Early Adopter)		
◆ Commercial Release 1.0 (Single As...)	Apr 7 2025			◆	Commercial Release 1.0 (Single Asset)		
◆ Commercial Release 1.1 (Summer)	Jul 7 2025			◆	Commercial Release 1.1 (Summer)		
◆ Commercial Release 1.2 (Fall)	Oct 6 2025				◆	Commercial Release 1.2 (Fall)	
◆ Commercial Release 1.3 (Spring)	Jan 5 2026				◆	Commercial Release 1.3 (Spring)	
◆ Commercial Release 2.0 (Multi Ass...)	Apr 6 2026				◆	Commercial Release 2.0 (Multi Assets)	
◆ Commercial Release 2.1 (Summer)	Jul 6 2026				◆	Commercial Release 2.1 (Summer)	
◆ Commercial Release 2.2 (Fall)	Oct 6 2026					◆	Commercial Release 2.2 (Fall)
◆ Commercial Release 2.3 (Winter)	Jan 11 2027					◆	Commercial Release 2.3 (Winter)
◆ Commercial Release 3.0 (Token Ex...)	May 3 2027					◆	Commercial Release 3.0 (Token Exchange Market Maker)

◆ Milestones

- Platform / Vendor Evaluation
 - › Tokenization
 - › Blockchain
 - › Cloud Architecture
 - › 3rd Party Integrations
- Tech Stack Selection
 - › Backend (e.g. SQL Parquet)
 - › Front End (e.g. React)
 - › Java (e.g. AWS backend)
 - › Python (e.g. Prototyping)
- Proof of Concept (Confirms technical and business assumptions)
- Feasibility Study (Leverages POC results to confirm path forward)
- Environment Standup (Dev, Test, Staging, Production)
- Prototype (create demonstrable module functionality)
- Software Release Plan
- Communications Plan
- Marketing and Sales Plan
- Training Plan
- 24/7 Support Process and Plan(online chat)
- Commercial Release Beta 1.0 (EAP / Parallel Test)
- User Engagement (Early Adopters)
- Commercial Release 1.0 (Single Asset)
- Commercial Release 1.1 (Summer)
- Commercial Release 1.2 (Fall)
- Commercial Release 1.3 (Spring)
- Commercial Release 2.0 (Multi-Assets)
- Commercial Release 2.1 (Summer)
- Commercial Release 2.2 (Fall)
- Commercial Release 2.3 (Winter)
- Commercial Release 3.0 (Token Exchange | Market Maker)

Technology Research and Development (R&D)

- Tokenization as a Platform (TaaP) Evaluation and Selection
- Blockchain Suitability Evaluation

Security and Compliance

- Security Assessment
- Audit Requirements
- Identity and Know Your Customer (KYC)
- AML and OLFAC Vetting
- Legal Safeguards / Compliance and Regulatory Requirements
- Risk Management : Mitigation Strategies (e.g., Audits, SOPs/Best Practices, ...)

Architecture

- Security and Privacy
- Technology Scalability
- Cloud-Based Architecture Requirements
- Backend Integration with Heritage Trust Back Office

User Experience (UX)

- Persona Definition
- User Base and Engagement
- Current State In-Depth Business Process Workflow
- Discovery
- Scope of Back/Middle/Front Office
- User Interface (UI)
 - › Low-Fidelity Wireframes
 - › High-Fidelity Designs

Development

- TFEA Solution Requirements
- Proof of Concept (PoC) Definition and Execution
- Prototyping
- Integration with other Blockchain Platforms
- Decentralized Finance (DeFi) Integration
- Global Localization and Personalization

Financial

- Labor
- Software
- Cloud
- Expenses
- Sales Projections
- Accounting
- Financial Planning
- Financial Controls
- Financial Reporting

Investments

- Capital Raise(s)
- Investment Tranches
- Use of Funds

Business Operations

- Management Reviews
 - › Monthly check-ins
 - › Quarterly “board meetings” with investors and principles
- Standard Operating Procedures (SOP)
- Transparent Recordkeeping
- Human Resources
- Benefits
- Payroll
- Accounts Payable / Receivable
- Communications and Notification Plan for Investors/ Buyers/Sellers/Partners/SLT

Business Development / Strategy

- Diverse Revenue Stream Opportunities
- International Business Plan
- Monitor Regulatory and Market Conditions
- Liquidity and Secondary Market Development
 - › Facilitate Liquidity in a robust secondary market
 - › Integrate with DeFi platforms
 - › Partnerships with Exchanges to enhance Liquidity
 - › Implement Market-Maker Strategies to ensure a vibrant secondary market.

Marketing and Sales

- Brand and Reputation Management

Quality Assurance (QA)

- Test Plan
- Release Strategy
- Automated Test Solution (e.g. JEST)

Product Management

- Evolution Roadmap
- Project Plan
- Release Plan
- Define Multi-Phase Solution
 - › Phase 1: Single-Asset
 - › Phase 2: Multi-Asset
 - › Phase 3: Token Trading / Market Maker
- Solution Roll-out – Parallel Testing with Limited “Friendly” Early Adopters