KAIZEN
FINANCE

Kaizen Finance Litepaper

An Introduction to the Kaizen Finance Platform

2021

KAIZEN FINANCE

Table of Contents

Kaizen Finance Development Background **03**

What Is Kaizen Finance **05**

Platform Tools And Services 07

Reimagined Vesting And Token Distribution 09

Collateralized Tokens **11**

Collateralized Token Features 13

Kaizen Solutions To Industry Problems **14**

Providing Token Price Management Mechanisms 14

Unlocking Locked Liquidity 15

Building Trust In Presales 16

Enabling Tokenomics Transparency 16

Kaizen Finance Development Background

The importance of pre-sales, the issuance of tokens prior to its public listing, is hard to overestimate.

At this time, token presales are executed using a Simple Agreement for Future Tokens (SAFT), a paper contract specifying the number of tokens to be sold and the terms of their purchase (including locked and unlocked tokens, vesting schedules, prices for various tranches, contingencies, defaults, etc.)

By attempting to bridge the vast banking-to-crypto divide, SAFT-based token presales are inevitably fraught with a myriad of loopholes, unpredictable legal complexities, and countless opportunities for fraud and malfeasance.

For example, a commercial contract follows the business and securities laws of the domicile in which the parties are registered while a smart contract is based on the rules of computer programming. The two disciplines share nothing in common. This incongruity is fundamentally problematic, leading to irreconcilable conflicts in law.

Firstly, if a token is offered by a decentralized autonomous organization (DAO) and used to raise funds to secure engineering made on behalf of the token holders, there is no legal entity to represent the DAO or to enter into the SAFT as a signatory. And until VCs acquire the tokens, even the token holders are unknown. Legally, for example, a DeFi pool which does not attract investors, does not even exist despite the smart contract being created and recorded on the blockchain. Oftentimes, the developers of a smart contract do not participate in the offering, and therefore have no legal responsibility for the software-base contract they create.

Secondly, if a global offering involves execution of a smart contract that is in conflict with the SAFT, there is nothing that can be done to resolve the situation. A smart contract, once deployed, cannot be revoked or changed, meaning the paper contract cannot be legally in control, even if it was signed before the smart contract was launched.

These reasons are some of many that have led to the creation of Kaizen Finance.

Kaizen Finance Development Background

Kaizen Finance was developed to provide a platform for projects and DAOs to create and manage the lifecycle of their tokens and build trusted, transparent and strong relationships with investors.

By employing Kaizen, defined tokenomic terms (oftentimes negotiated between developers and VCs) can be implemented to generate a smart contract providing investors full transparency as to the number of tokens to be issued (the total offering), their pricing and unlocking schedules (by tranche). Kaizen facilitates means to report an offering's tokenomic structure including private presales for investors, strategic partners, engineering development, and DeFi pool liquidity. Since the smart contract, once launched, is immutable, issuance of tokens is guaranteed without the need for human intervention or legal interpretation.

In this regard any token presale implemented via a Kaizen-authored smart contract is superior to (and lower risk) than a signed SAFT agreement.

What is Kaizen Finance

Kaizen Finance is a crypto token lifecycle management platform where projects and DAOs can confidently and reliably generate, issue, and manage token offerings using an autonomous full-stack smart-contract authoring Kaizen protocol.

By simplifying the most complex (and confusing) aspects of token offerings for its users, Kaizen Finance is able to generate, issue, and distribute locked tokens with defined vesting schedules, providing smart contract automation for the issuer and transparent transactions for investors through an intuitive and easy-to-use user interface (UI).

Tokens created via the Kaizen platform can be locked i.e. set aside by a smart contract for a specified period of time. The issuer can use locked tokens as collateral and issue tradable collateralized tokens, which represent an ownership claim on an underlying asset locked in the Kaizen smart contract.

Collateralized tokens reflect the value of locked tokens before unlock. When locked tokens become available for the unlock per vesting schedule, collateralized tokens are used to claim these unlocked tokens on Kaizen Finance. Collateralized tokens can be distributed to investor wallets immediately after the purchase of locked tokens and can be traded on the kDEX. Alternatively, collateralized tokens or unlocked tokens can be reinvested into staking pools to earn interest.

In this manner, collateralized tokens act as tradable crypto securities for locked tokens that are yet to be released.

By facilitating the issuance of collateralized tokens prior to the TGE, a token issuer can engage in the pre-sale of tokens to angel investors, venture funds, strategic partners, and business affiliates with a defined vesting schedule and in a manner fully transparent to investors of the public offering.

What is Kaizen Finance

Employing third-party validated and certified smart contracts, Kaizen mitigates the risk of fraud, misrepresentation, insider transactions, and preferential trading, thereby thwarting unforeseen “rug pulls” by whales and undisclosed token holders.

In essence, Kaizen brings transparency to decentralized finance pools and DEX trading, delivering trust through autonomous transactions impervious to tampering and scammers.

Kaizen Finance is a cross-chain capable platform, able to author and support concurrent smart contracts on multiple blockchains, e.g. on Ethereum, BSC (Binance Smart Chain), Polygon, etc. Choosing the right blockchain is important in avoiding high gas fees and to maximize investor returns. For client convenience, gas fees for transactions on a particular blockchain may be paid using a non-native cryptocurrency. For example, ETH may be used to pay BNB gas fees for BSC transactions without the need to separately acquire and transfer BNB crypto to your wallet.

Completely unique to today’s rapidly evolving crypto economy, Kaizen Finance represents the quintessential DeFi platform pioneer of full-stack DEX trading, featuring convenient secure smart contract authoring for token generation, launches, swapping, staking, and tokenomic reporting.

Platform Tools and Services

Given the rapid emergence of cryptocurrency trading and decentralized finance, protocols were hastily developed to facilitate smart contract execution, oftentimes lacking key features important to today's crypto traders and companies seeking funding via the burgeoning cryptoeconomic investor community.

Executing a token offering was a complex task requiring technical acumen, blockchain processing and dApp engineering expertise, appreciation of legal complexities, and an in-depth understanding of how cryptographic trading occurs.

The Kaizen Finance platform was developed to simplify the process and make it more accessible. Kaizen was developed following the principles of "continuous improvement" launching the fully-autonomous smart contract authoring protocol. Going forward, new features will continue to be introduced to further enhance transactional performance, platform's security, privacy, and quality-of-life.

Kaizen Finance platform offers projects and companies wishing to secure crypto funding to:

- Create and manage a sophisticated token ecosystem without writing a single line of code.
- Generate defect-free smart contracts for issuing tokens with transparent tokenomics and receive an sharable contract audit report.
- Offer smart contract-defined locked token vesting schedule. Create and distribute tradable collateralized tokens prior to TGE that use locked tokens as collateral, represent their value and provide right to claim.
- Provide the ability to trade collateralized tokens on kDEX.
- Support all life cycle phases of a token offering from token-generation and presales to the TGE and the following listings.

Platform Tools and Services

Other capabilities of Kaizen in support of a token offering include the following features:

- Create and manage automated airdrops;
- Execute cross-chain transactions, moving tokens from one blockchain to another to save on gas fees or to engage in DeFi offerings unique to a specific blockchain;
- Accept purchases using stablecoins (USDT, USDC, DAI, BUSD) or using native coins of the network (ETH, BNB, MATIC, etc);
- Realize the target tokenomics of different crypto project offerings;
- Reduce support needed to facilitate an effective token offering.

This list describes only a fraction of the capabilities of the Kaizen Finance platform and its protocol.

Reimagined Vesting and Token Distribution

Token presales require the distribution of locked tokens to prevent unexpected dump and to manage sale pressure of an offering over the first year. Only by controlling the total supply of tokens can prices be maintained during early selling.

Most companies and DAOs issuing tokens have no means by which to lock or unlock tokens. In most instances, a “promise” is given to the investor to release purchased tokens per the agreed upon vesting schedule, manually transferring tokens as they “unlock” per agreed schedule to the investor wallet.

This unwritten agreement-in-principle for vesting creates numerous opportunities for misunderstandings between an investor and an issuer. Firstly, if the issuer doesn’t transfer the tokens at the time, an investor may miss a selling opportunity. Secondly, even if an issuer does the transfers promptly, the manual transfer process is still prone to human errors.

By contrast, Kaizen institutes the use of smart contracts that can only execute precisely what is specified in its code, providing transparency and eliminating any risk of an execution error.

With a Kaizen-generated smart contract, vesting schedules can be precisely implemented with greater regularity. Whenever a locked token unlocks, the token can be claimed and then traded, held, or concurrently sold. In most cases, the collateralized token can be used to claim the unlocked tradable token at a one-to-one ratio.

Any number of vesting schedules are possible.

Reimagined Vesting and Token Distribution

For example, one vesting schedule may state that ten percent of locked tokens can be unlocked at the TGE with the remaining ninety percent vested weekly over a one year period. Not all token holders necessarily need to follow identical vesting schedules. With Kaizen, token holders can concurrently follow separate vesting schedules, for example linear vesting monthly for twelve months, cliff vesting after six months, non-linear vesting, etc.

Locked tokens cannot be unlocked until the arrival of the designated unlock date defined in the vesting schedule. However, just because a token is locked, doesn’t mean the claim to its value cannot change hands.

For example, once a token is publicly tradable and listed, tokens still locked in the vesting schedule carry the same intrinsic value even though they are not yet unlocked. In some instances, the value of a locked token can be swapped for another asset through the use of collateralized tokens, or put in a staking pool.

In this way, Kaizen can unlock the value of a locked token before it is unlocked.

Collateralized Tokens

A unique commercial advantage of Kaizen.Finance, one beneficial to both token issuer and to its investors alike, is its ability to collateralize locked tokens and to facilitate the trading of their future value prior to them being fully unlocked.

> ***Kaizen's unique collateralized token feature unlocks locked token liquidity to investors without adversely impacting market trading price.***

To understand the process more thoroughly, we must first consider how collateralized tokens are created. Collateralized tokens are Kaizen-minted tradable tokens that represent an ownership claim to an underlying locked token (collateral) in the Kaizen protocol. Collateralized tokens are used to claim unlocked tokens in accordance to their vesting schedule.

Unlike tradable collateralized tokens, locked tokens are locked in accordance with predefined vesting schedules specified in the smart contract.

While collateralized tokens can be traded on Kaizen DEX (kDEX), they cannot be sold on any public exchange as they are not listed and public markets, technically, do not recognize the collateralized tokens even exist.

Because the tokens originally issued by a project are immediately tradable they cannot be distributed prior to the TGE or ahead of their vesting. Therefore, such tokens are locked i.e. held by a smart contract.

Collateralized Tokens

When an investor purchases a token, the payment is received and the investor is given a collateralized token representing their claim to the yet locked token. Because the token the investor receives is backed by a corresponding locked token, e.g. one-for-one, the issued token is referred to as a collateralized token.

Although the economic value of the collateralized token is indeterminate until a subsequent TGE, once a public listing (IDO) occurs, the token's trading value is known, as is the value of the collateral of the collateralized token. Until the TGE, the value of the token is assumed to be somewhere between its purchase price, and some higher (but purely speculative) value.

After the TGE, the commercial value of the still-locked token is essentially the same as the market price of the tradable unlocked tokens.

Once unlocked, redemption of unlocked tokens is straightforward. Within the Kaizen protocol any locked token can be claimed using the offering's collateralized token.

Collateralized Token Features

The unique (patent pending) benefit of Kaizen however, is its innovative feature **enabling COLLATERALIZED TOKENS to be sold, swapped, staked, or otherwise hypothecated.**

Because collateralized tokens use locked tokens as collateral, their value is defined as the price of their underlying asset, i.e. the public trading price after TGE, and a lesser value before the TGE.

Although collateralized tokens are not registered or tradable on any DEX or public exchange (and therefore cannot impact the locked token's price-per-token), Kaizen facilitates a secondary market on kDEX for unlocked collateralized tokens available for swapping or for staking.

Depending on the issuer, collateralized tokens may be traded before a public offering.

When a collateralized token is swapped to another investor or staked in a pool, the locked token's vesting schedule continues unabated. Without a public market, however, the collateral's value is speculative.

Investors speculating the future value of locked tokens may choose to acquire collateralized tokens for the economic upside, not for the net present value. Holders of collateralized tokens may gladly sell them to achieve immediate liquidity, particularly if they believe the locked token's price will decline in the future. Collateralized tokens may also be used to pay for goods and services and leverage other benefits of fixed prices.

Kaizen's unique ability to issue and trade collateralized tokens has been firmly established by verifiable trading of over 100 million tokens to date. Part of Kaizen's mission is to help the industry by providing the means to free up the liquidity locked in vesting schedules and create opportunities to return it back into the market. Currently, the estimated value of liquidity locked in assets held by smart contracts surpasses $200 billion.

Kaizen Solutions to Industry Problems

The Kaizen Finance platform, protocol and its unique features address a wide range of known industry issues for the benefit of both token issuers and investors and the market itself:

Providing Token Price Management Mechanisms

Holders of substantial amounts of tokens (aka whales) sell all their tokens at once (dump) in the market, launching what can be described as a precipitous price decline (aka “rug pull”).

Typical example of a sell-off effect on the price

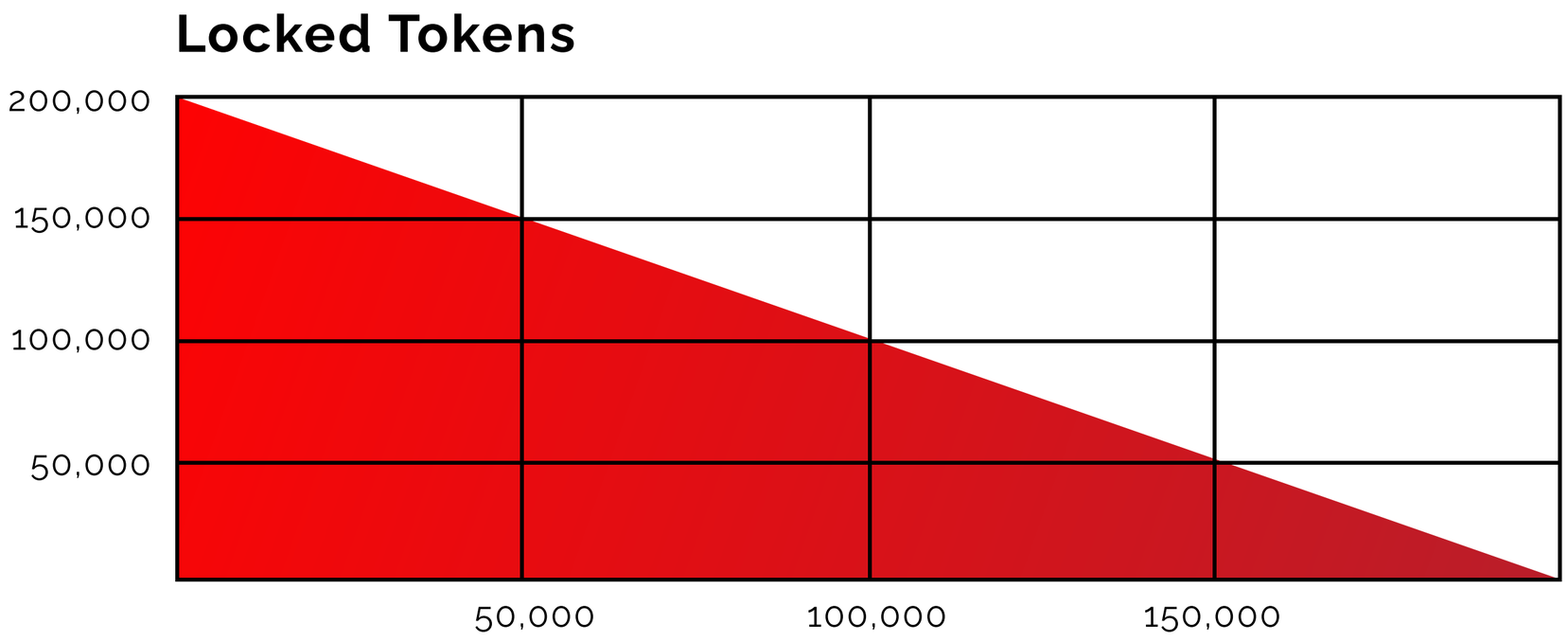
To avoid the collapse of the token price (dumping) at the moment when tokens are unlocked (at the end of the vesting period), Kaizen uses an embedded vesting schedule (see What is Vesting Schedule). The vesting schedule is used to avoid sell-offs by limiting the number of sellable tokens entering the market at one time. Eliminating the risk of crashes and sell offs instills confidence in potential investors. The vesting schedule regulates the timing and lockup conditions for every investor or investor class, making the potential selling impact manageable.

Through Kaizen Finance, vesting schedules can be completely automated using smart contracts and embedded right into the token itself.

Kaizen Solutions to Industry Problems

Unlocking Locked Liquidity

Normally locked tokens cannot be transacted, traded, staked or loaned, essentially withdrawing liquidity from the market. Investors cannot access the value stored in their locked tokens, or at least a portion thereof.



Untapped market potential for locked tokens

Kaizen enables you to unlock that liquidity. Kaizen Finance enables projects, businesses, and DAOs to launch tokens, define vesting schedules, lock tokens accordingly and distribute collateralized tokens to investors wallets. Through collateralized tokens Kaizen enables investors to access the intrinsic value of locked tokens for trading (swapping) or staking prior to their unlocking and without disrupting their market value or trading volumes.

Kaizen Solutions to Industry Problems

Building Trust in Presales

Lack of trust between the parties during token presales is a big issue. Investors have to rely on a company, DAO, or project to deliver on their promises. Conversely, a token issuer has to rely on investors not dumping their tokens immediately upon TGE.

Kaizen makes token vesting and distribution more transparent and accessible. Instead of relying exclusively on SAFT agreements, investor trust can be established through the transparent application of smart contracts ensuring autonomous execution of all specified terms. Kaizen also provides projects with the instruments to create vesting schedules and token ecosystems to safeguard the market value of vested tokens while simultaneously enabling investors to trade the future value of their locked tokens.

Enabling Tokenomics Transparency

Developers receiving compensation through tokens may be tempted to sell their tokens (cash out) and quit an engineering project before the work or product is complete. In addition to creating selling pressure adversely impacting a token’s market price, their departure can adversely impact the morale of the development team and delay a project’s delivery date.

Kaizen facilitates vesting schedules customizable for any team or project. It is commonplace for developers to voluntarily lock their token allocations as to support their commitment to the effort and their teammates. A well designed vesting schedule helps secure the team members while the reward potential encourages them to deliver a quality product. Team’s tokens can be locked on par with investors’ and proofs transparently presented to the public.

KAIZEN FINANCE

Follow Kaizen Finance

www.kaizen.finance

linkedin.com/company/kaizenfinance

kaizenfinance.medium.com

twitter.com/kaizen_finance

Announcement Channel

t.me/KaizenFinance

Official Chat

t.me/KaizenFinanceOfficial

Contact Us

info@kaizen.fiance

t.me/KaizenFinancePR