

# Will STOs replace the ICOs? “Without a doubt” says Todd Wier, President of PrefLogic

By cryptotapas



*“Audit the token, not the game” says Todd Wier, President of PrefLogic*

***Cryptotapas exclusive: Todd Wier is excited about STO space and shares his excitement and insights with Cryptotapas in this exclusive interview.***

Security Token Offerings (STOs) will be big in the Blockchain and Crypto space. We at Cryptotapas are big proponents of the potential of STOs and today we bring **wisdom of STOs** from Todd Wier, President of PrefLogic, regarding their STO platform, future of STOs, maturing blockchain space and what keeps Todd and his team excited about this space.

Thank you for agreeing to answer our interview questions. We appreciate it.

**CT:** Thank you for agreeing to interview with us. We appreciate it. To get things rolling, tell us something about how you developed a passion for Blockchain, and the crypto space that got you into STO space? Something we cannot find on your website page.

**Todd:** Haha, you asked.

4 out of our 5 children are all college educated finance and economics majors and during 2017, they couldn't keep themselves from over investing in the crypto phenomenon. My background is in finance with a specialization in small capital formation. Needless to say, we had many heated discussions as to why they would invest in a utility token that represented access to a nonexistent platform, absent traditional economic drivers. Their reply: *'to make money'*.

Don't get me wrong, the utility token has its place but, in my opinion, it fails as an investment vehicle. What did capture my attention was how quickly capital was being raised. You remember, ABC raises \$10M in 5 minutes, XYZ raises 50M in 3 hours, all via a whitepaper filled with promises and no risk disclosure. Then the SEC comes out and accuses all ICO's as illegal securities offerings, and I agree with SEC.

Lightning strikes!

What if all SEC required could be "baked" into "smart contracts" to produce a token that could be offered through an ICO *like* a distribution platform to provide start-ups and established businesses access to capital through a global pool of investors?

If it worked, it could solve a big problem by providing low-cost capital and plenty of it, in a compliant manner by eliminating the high cost of traditional capital access via Wall St. At this point, the words "Security" and "Token" were not being used together.

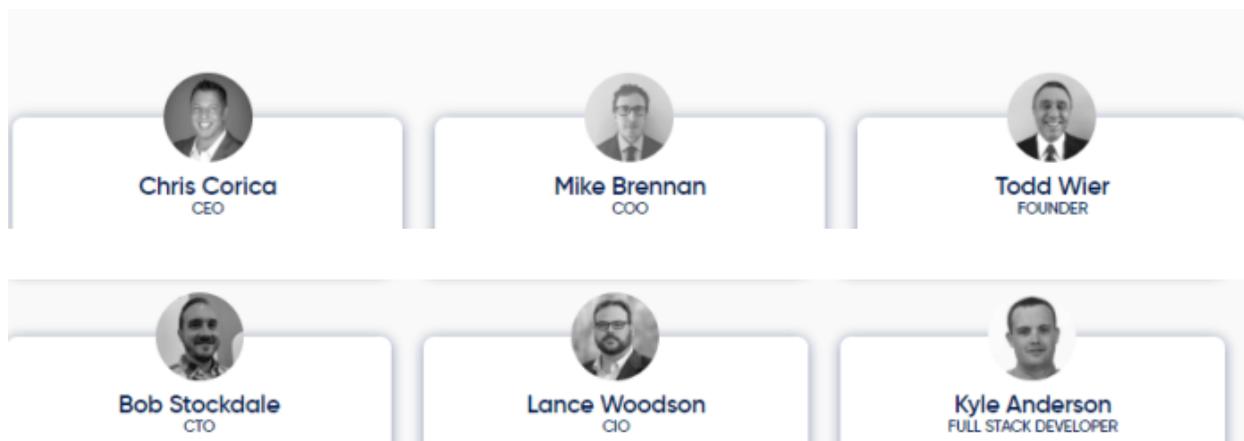
*That is how we got started on this journey.*

**CT:** How did you come about the name PrefLogic?

**Todd:** Preferred Architecture + Logic

**CT:** How big is the team (we saw 8 profiles on the site)? Are all full-time employees of PrefLogic?

**Todd:** PrefLogic enjoys the full-time effort of 4-5 employees and 4-6 part time at very modest cost.



**CT:** What problem does your platform solve that Polymath or WeOwn does not?

**Todd:** \*\*\*Please see attached PowerPoint slide\*\*\*

Polymath called for a reissuance of their client tokens a couple months back. At the blueprint stage of developing our STO, our engineers maintained that the most important objectives were to put forth a product that would be flexible and nimble, able to withstand change as the Security Token market defined itself across many jurisdictions and scalable. In each instance of change, the issuer and token holder experience would be continuous and uninterrupted. Some of our competitors have had to

reissue tokens having hard wired too much of their code left unable to service their issuers without interruption.

**CT:** Are US citizens allowed to participate in your STO? If not, why not?



**Todd:** No, currently US investors are not allowed to participate. Future offerings are on the slate. Sorry, really can't say more (rules).

**CT:** What will be your STOs softcap and hardcap?

**Todd:** We intend to complete a few rounds of funding. The current round is our first and is only offering 2M shares a \$1 at a pre-money valuation of \$10M.

**CT:** Will there be some sort of dividends/income sharing for the PrefLogic Token shareholders? What other rights will these token shares provide?

**Todd:** No, Common Share with voting rights.

**CT:** Do you have an MVP? Or do you have a timeframe when your fully functional product will be available?

**Todd:** Yes, our MVP, the STO Wizard is complete and able to construct Security Tokens though we haven't commercially released. We have also completed the Investor Purchase Portal and Token Holders, LLC (wholly

owned subsidiary) KYC platform that is able to onboard 3rd party verification providers (Accountants, Lawyers, Investment Advisors, etc), Domestically and Internationally, offering an income opportunity for the verification provision. All technologies are demo ready.

**Click to see attached: [STO Development Highlights](#)**

**CT:** What is the minimum and maximum wait time between STO and having the tokens available to trade on an STO exchange?

**Todd:** That depends on the SEC regulation you offer from. When an issuer uses an exemption from registration as in Reg D, CF, S or others, he would have to provide for registration of the shares/tokens, prior to trading and can do so at any time. In the case of Reg A+ or an S-1 registration of the shares/tokens, the shares are able to trade upon the effective date of registration being granted by the SEC and exchange arrangement.

**CT:** Do you foresee Governments changing rules of exemption? If that happens, what would be your backup for PrefLogic?

**Todd:** Speaking from the US or SEC's perspective, possible but unlikely. The SEC infrastructure has produced the most credible financial marketplace in the world and the wheels of change grind slowly, but I feel, based on how the Senate hearings have gone and the path SEC seems to be taking, they do see the benefits of automated business process (smart contract) and the transparency/permanency that blockchain offers. That said, the Security Token evolution could produce an environment where SEC AUDIT of the Token or Smart Contract provides the basis of

regulation, rather than oversight of the players and the game, producing increased efficiency and market credibility.

***AUDIT THE TOKEN, NOT THE GAME!***

As for other Jurisdictions, quite possible and more likely.

Small Jurisdictions want their piece of the Security Token marketplace and to compete, might adopt a framework like the SEC exemptions but offer little or no restriction regarding tradability or token transfer. This would attract issuers and investors alike. Without saying too much, we have had discussions with other Jurisdictions where we would build for them a “side door” or “multi-sig” access into every token authorized for issue from their Jurisdiction. This would allow Regulators to set forth their requirements, audit compliance through a dashboard and SUSPEND trading in the token (worldwide), with a click of a mouse in case of non-compliance.

A real-life example might be the Country of Malta revising its Virtual Financial Assets Act to include Security Tokens and their requirements. They could then offer issuers the ability to conduct Security Token Offerings, albeit subject to their Jurisdiction and Regulatory requirements, however, they define them.

Pretty powerful.

As for PrefLogic’s backup plan, not sure I understand. All issuers of securities in token or share form will have to abide by the laws of the land they issue and trade within.

If you referring to why PrefLogic chose a share offering rather than a Security Token Offering to raise capital as the question?

We chose a traditional structure to offer a more familiar path of participation. We feel, at the moment, that there is more capital available and accessible from the traditional investors, rather than the crypto, which should provide stronger support for our offerings. In addition, we chose the traditional route as it maximizes the opportunity for liquidity by offering multiple paths such as IPO, STO, RTO, merger or sale of. Had we structured as an STO, some paths may not be as readily available. I've heard discussions that Kraken and even tZero might opt for the public markets. If so, PrefLogic would be positioned to entertain a reverse takeover by an already publicly traded company, thereby being one of only a few publicly traded security token plays offering access to the sector. Demand may be high?

**CT:** Do you think STOs will be the future ICOs, only much reliable, in the crypto space?

**Todd:** Without a doubt. Consider two companies exactly the same, one in security token form, the other, utility token and they build a successful enterprise: Would you rather own a piece of the company or access to its platform?

**CT:** How many years will it be before traditional capital will be raised using STOs?

**Todd:** Small-cap arena: very quickly.

I think 2019 will be known as the year of the Security Token.

Real Estate sector: almost as quickly, with only a few things to iron out. In my opinion, the ability to offer fractionalized participation in real estate and the asset and cash flow benefits it offers brings reach and potential liquidity to a market that has none of that now. To me, larger markets and

increased demand equal liquidity and price appreciation. Can you imagine a Japanese investor purchasing a Security Token that represents a slice of the Trump Towers and having the ability to sell it 5 seconds later.

That's powerful!

**CT:** What keeps you excited in this space?



**Todd:** I'm 57 years old and have worked in the financial arena for 30+ years and the biggest marketplace in the world is changing. That's exciting.

To offer some perspective; UBER changed the taxi marketplace, a big marketplace and the experts say an IPO would value the company at \$100-120B. That's a lot, but when we look at it from the "size of the marketplace" perspective, we're talking about the absolute largest marketplace in the world: the financial marketplace.

PrefLogic is one of maybe 10-15 legitimate Security Token gateways in the entire world when compared to a US market where more than 3800 financial institutions are registered with FINRA.

Patrick Bryne, the CEO of tZero will undoubtedly be in the history books my grandchildren read and if PrefLogic executes on its mission, and gets a little lucky, it may also get a mention. That's exciting, YOU are part of this too! PrefLogic sits in the eye of the storm and I'm blessed enough to be able to answer these questions. Thank You!!!

**CT:** Thank you! We are excited to be part of this ecosystem as it goes through the ups and downs, growing pains and ultimately changing the face of the current financial system. Projects like PrefLogic and individuals with as impressive a resume as yourself are needed to take this space forward. For that, we wish you all the best!