

FlyCoin: A Peer-to-Peer Loyalty Program



www.flycoin.org

Abstract: Airline loyalty frequent flier programs (FFPs) have been largely unchanged since their origins back in the late seventies. Despite numerous drawbacks, they have still become enormously popular with essentially all air travelers being members of multiple programs. With the recent rise of mile-earning credit card programs, the share of rewards travel has risen from historic levels of 5% up to 20%+ of all flights taken. Just like the federal reserve, airlines with popular FFPs are able to essentially “print” their own currency. As Bitcoin (BTC) is to the US dollar, FlyCoin (FLY) is to existing frequent flier miles. With a fixed supply and broad distribution, FlyCoin is a crypto token that turns passengers themselves into the beneficiaries of future travel of all that participate in FlyCoin. Inspired by Binance Coin (BNB), FlyCoin launches with the support of Ravn Alaska (~500,000 pax/yr), Northern Pacific (~5M pax/yr), the Value Alliance (~30M pax/yr), Alaska Airlines¹ (~50M pax/yr), and others.

1. Executive Summary

We will issue a crypto token called **FlyCoin (FLY)**. A fixed amount of FLY will be minted pre-launch, never to be increased. The exact amount of FLY will be based on the committed five year supply needs of all launch partners as well as allocations for future partners, FlyCoin, Inc, and The FlyCoin Charitable Foundation (see below for details).

FLY will launch as an ERC-20 token on the Ethereum blockchain. However, FLY is blockchain-agnostic and will bridge to other blockchains and layer two solutions such as Polygon, Binance Smart Chain, and Solana.

FlyCoin will be a global rewards program. Without making any changes to their existing program, the adoption of FLY by any travel partner as the currency for their rewards program automatically enters them and their customers into a virtual worldwide “alliance” without the need for multilateral agreements.

FlyCoin’s uses expand beyond the travel industry. Leveraging the participation of Ravn Alaska and Northern Pacific, Alaska will be the proving grounds for the progression of FlyCoin adoption from travel rewards towards utilization as a common local currency - a model that we will replicate globally, wherever FlyCoin travel partners offer service.

2. FlyCoin Values and Objectives

We believe that a loyalty rewards program can be structured to benefit consumers and providers at the same time. It is our objective to eliminate loyalty expiration dates, the devaluation of loyalty points over time, restrictions on non-transferability, and the inability to exchange loyalty points freely for other goods and assets, and to make customers “owners” of the rewards program.

Further, it is our objective to build a worldwide network of loyalty program participants in which FLY can be earned and redeemed worldwide, therefore propagating FLY’s utility globally and solidifying FLY’s persistent value into the future.

¹ Alaska Airlines has an existing loyalty program partnership with Ravn Alaska.

We also believe that in establishing a value system for the travel industry worldwide, we have the opportunity and responsibility to address the ecological impacts of the travel industry on the environment. The endowment of the FlyCoin Foundation to tackle the objective of decarbonizing travel and tourism is an important co-endeavor of the FlyCoin network and community.

3. FLY, the Easy Cryptocurrency

Airlines are an incredibly effective carrier for the introduction of a new loyalty currency throughout the economy. People are accustomed to airline reward programs, and they value and prize their airline miles and points. FlyCoin introduces the powerful features and characteristics of cryptocurrency through the vehicle of travel rewards that the average consumer is already very familiar and comfortable with. FlyCoin will allow customers to enjoy and exercise the benefits of cryptocurrency without needing to be crypto-savvy or even needing to know that FlyCoin is cryptocurrency. Customers will earn FLY just by flying with participating airlines or staying nights at participating hotels and resorts.

4. Prototype for Adoption as Local Currency

Although FLY is targeted at the travel industry as an inception point, there are viable pathways for FLY to become more fully embedded and utilized throughout the economy. We will nurture and prototype these pathways in Alaska. Northern Pacific Airways and Ravn Alaska, will play a particularly important role disseminating FLY throughout the local economy of Alaska. Therefore Alaska will serve as a nexus for FlyCoin incubation and a model for propagating FLY into local economies around the world wherever FlyCoin's participating airlines fly or travel partners operate.

Northern Pacific Airways (NP) is a low-cost carrier (LCC) airline connecting North America and Asia through its hub in Anchorage. Thanks to the strategic importance of NP for Alaska and the Ted Stevens Anchorage Airport, the airport authority will require all concessionaires and merchants at the airport accept FLY. NP's launch and ongoing operation will be a driving force in the distribution, adoption, and long-term success of FLY.

Ravn Alaska (Ravn) is Alaska's largest intrastate airline, serving 14 destinations within Alaska from its hub at the Ted Stevens Anchorage Airport. With the partnerships and relationships that Ravn has with resorts, fisheries, cruise providers, and major merchants and commerce throughout the state of Alaska, Ravn and its business partners are a powerful distribution channel for FLY to become a popular currency throughout the state of Alaska.

International travelers arriving at the Ted Stevens Anchorage Airport on NP will have FLY in their wallets and will be able to spend FLY to purchase food, beverage, and retail goods within the airport. Then they'll be able to earn and redeem FLY on Ravn and at resorts, fisheries, cruises, and other partner merchants throughout Alaska. This permeance of FLY via tourists and local Ravn customers throughout the state will help FLY take hold as a de facto currency in the local economy.

FlyCoin Inc. will invest in financing NP and Ravn's operations in and through Alaska not just for the revenue NP and Ravn will directly generate for FlyCoin inc. but more importantly as the vehicle to prototype the adoption of FLY throughout the economy of Alaska. We will extend and replicate this model throughout the world wherever FlyCoin participating airlines fly and travel partners operate.

5. Products & Services & Market Opportunity

FlyCoin ("FLY") is a cryptocurrency-based frequent flier loyalty program based on the novel concept of scarcity of points. Just as the fixed supply of bitcoin results in intense loyalty among those who hold it, so too will FLY among those who hold it - the frequent fliers of participating airlines and travel partners.

FlyCoin Inc. will provide a turn-key off-the-shelf loyalty program system and easy-to-integrate modules and APIs for

airlines and travel industry partners to implement and launch FLY to empower their loyalty programs. FlyCoin Inc. will also mint the cryptocurrency FlyCoin (“FLY”) and engage with both trade and market partners to shepherd the growth and development of the FlyCoin ecosystem. FLY will begin as an ERC-20 token on ETH.

Revenue of commercial airlines worldwide was \$838 Billion in 2019 and was on track to hit \$872 Billion in 2020 (pre-COVID)². It is typical for airlines to spend about 4%-5% of revenue on loyalty programs. This would amount to a \$44 Billion addressable market (not including hotels, resorts, car rental, and other potential participants). If we achieve 10% market penetration, that would equate to \$4 Billion annually cycling through the FlyCoin ecosystem.

6. FLY Economics

The economics of FlyCoin are rather simple. A fixed supply 100 billion will be minted pre-launch, never to be increased. However, that total will only be vested at 5% quarterly (five years total) after launch. At the \$0.02 initial redemption value, this would provide enough supply for less than 1% of the total market for loyalty (spread out over 5 years)³. The total amount will be distributed per the below breakdown:

| Recipient | Purpose | Allocation |
|-------------------------------|-----------------------------------|------------|
| Launch Partners | Loyalty rewards to customers | 40% |
| Future Partners. | Loyalty rewards to customers | 20% |
| FlyCoin, Inc | Support/promote the FLY ecosystem | 30% |
| FlyCoin Charitable Foundation | Decarbonize travel and tourism | 10% |

All participating partners will agree to always accept FLY at the market price, or a Floor Redemption Value (FRV), whichever is higher. The FRV changes by calendar year per this schedule:

| Year | Floor Redemption Value (FRV) | % Increase YoY |
|-------|------------------------------|----------------|
| 2022 | \$0.02 / FLY | N/A |
| 2023 | \$0.03 / FLY | 50% |
| 2024 | \$0.04 / FLY | 33% |
| 2025 | \$0.05 / FLY | 25% |
| 2026 | \$0.06 / FLY | 20% |
| 2027+ | \$0.07 / FLY | 16.6% |

Therefore for each launch partner, the total amount of FLY (“X”) allocated to the partner is calculated as:

$$X = \$A/.02 + \$B/.03 + \$C/.04 + \$D/.05 + \$E/.06 + \$F/.07$$

² <https://www.statista.com/statistics/278372/revenue-of-commercial-airlines-worldwide/>

³ Considering US domestic market only, this supply would be equal to less than 2% of the total assessed market value of the top 3 US airlines’ loyalty programs in 2020.

(Note, there is also a 50% FLY bonus for hard purchase commitments, and a 100% bonus on any prepaid FLY. Based on a launch partner's level of commitment, we would therefore increase **X**, the amount allocated for the partner, by the appropriate amount.)

Funds Usage. Funds will go towards building out software and systems development, product development, business development, and customer and partner support teams for FlyCoin. The systems must be reliable and trustworthy, The product and interfaces must be intuitive, easy to use, and easy for partners to integrate. The ecosystem and the utility of FLY must continue to grow throughout the travel industry and beyond. We will build out a global team that will operate 24/7. With team members embedded in and attuned to the cultural sensitivities of our partners and markets around the world. Initially, as part of our strategy to jumpstart the ecosystem and create our own demand, some funds will go towards building out the FlyCoin incubation network in Alaska. A portion of that investment will be in the form of a market-rate loan to Northern Pacific Airways. A loan of \$40M will launch a network of eight Boeing 757-200s and six cities. For each \$10M over that will add one more airplane and one more destination. Each plane also equates to about \$10M in committed FLY revenue for FlyCoin over 5 years.

Future Partners. After launch, future partners will be able to simply buy FLY on the open market to give to their customers as rewards. Although FlyCoin might play a role in aggregating purchase orders from the market on the behalf of partners to simplify their deployment of FLY. However, 20% of the total supply minted is allocated as "incentives" for future partners. All decisions on how to allocate these FLY will be decided by a vote of all existing (vested) FLY holders in proportion to their holdings. Voting will be held quarterly, directly before any new quarterly vesting FLY are awarded.

Transaction Fees. Partners who choose to integrate with FlyCoin, Inc's off-chain system for accepting / awarding FLY to users will agree to a 1% transaction fee on FLY redemptions. Half of that fee will go to FlyCoin, Inc and the rest to the partner that originally brought that end user into the FLY ecosystem. The first partner to send at least \$10 worth of FLY to an end user will receive permanent "referral credit" for them. Any independent integrations of FLY via the blockchain will not be subject to any transaction fees. It will also always be free for end users to send FLY peer-to-peer on FlyCoin's off-chain system.

FlyCoin Charitable Foundation. The FlyCoin Charitable Foundation, a 501c3 charitable foundation, will receive an endowment of FLY. Utilizing an appropriate spend policy of its endowment's value, the foundation is chartered with the mission to accelerate decarbonation throughout the travel and tourism industries, as well as to address other social impact opportunities related to the travel industry and the communities where FLY is adopted.

7. Management Team

Josh Jones is owner, chairman, and CTO of FLOAT Alaska LLC, the parent company of FlyCoin. He is a software developer, a visionary, an entrepreneur, and an investor in many successful enterprises. Josh began his career in 1996 as a sophomore at Harvey Mudd College, co-founding DreamHost, a web hosting provider and domain name registrar. An early proponent of the concept of digital currency, in 2012 he founded Bitcoin Builder, which played an indelible role in the future success of the digital currency. Josh is known throughout the cryptocurrency industry as a prolific investor and technical expert. He serves on a variety of boards and committees including Represent.Us, The Aquarium of the Pacific, The Fund LA, and HMC INQ, an investment network offering mentorship and startup support to Harvey Mudd College students and alumni. Josh has a BS in Computer Science and lives in Los Angeles with his family.

Leonard Moon "Lenny" Moon is chief executive officer of FlyCoin and chief financial officer of FLOAT Alaska LLC. He has extensive experience in high growth start-ups, mergers and acquisitions, and successfully leading companies through operational and financial turnarounds. Earlier in his career, Lenny worked in strategy consulting and venture capital, but he also helped launch a Softbank-funded start-up in early 2000. Then for several years, he was an M&A investment banker with Bear Stearns and Lazard, where he successfully executed M&A, equity, and debt transactions across a variety of sectors. He then served in various CFO roles, including Payoff, a start-up FinTech company, where he helped oversee its growth and capital raises from its pre-Series A through its Series C, and led the build out of the company's operational infrastructure, from a company of 10 employees to over 130 employees in 3

years. Lenny received a Bachelor of Science from the University of Illinois at Urbana-Champaign and holds an MBA from Columbia Business School. He serves on the board of several non-profit organizations, including The Human Trafficking Institute, an organization dedicated to decimating modern slavery at its source by empowering police and prosecutors to stop traffickers.

Tom Hsieh is president of FlyCoin Tom began his career in communication technology, joining EarthLink in the 1990's where he managed engineering and IT functions for over ten years. He oversaw Earthlink's growth from a fledgling startup through its successful IPO on the NASDAQ exchange. Tom's passion for entrepreneurship and innovation has led him to spearhead a number of organizations and initiatives focused on driving social change. He serves on the boards of the Intervalley Health Plan in Pomona, CA, the San Gabriel Valley Economic Partnership, the Los Angeles County Fair Association, and the Claremont Graduate University. An active community member and business leader in southern California, he co-founded FLOAT shuttle in 2018, a venture-funded shuttle airline service catering to commuters and corporations in the greater Los Angeles area. In April of 2020 Tom was instrumental in the acquisition of Ravn Air Group. Tom received his BS in Physics from Harvey Mudd College and has an executive MBA from the Peter F Drucker School of Management. He and his wife, Bree Devones Hsieh, live a purposeful life - they are committed to non-profit and civic efforts.