

BRICK

Whitepaper



RealEstate.Exchange

CONFIDENTIAL

6 July 2023

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The sale of BRICK Tokens will be conducted by DigiShares GmbH, a company incorporated in Germany under registration number HRB 34676 with registered office at Bahnhofstraße 32, 09648 Mittweida Germany (the “Company”).

DigiShares GmbH is a wholly owned subsidiary of DigiShares A/S, a company incorporated in Denmark under registration number 40623620 with registered office at Niels Jernes Vej 10, DK-9220 Aalborg, Denmark.

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Introduction

BRICK is an ERC-20 utility token that acts as a liquidity token to create a superior experience when trading and borrowing against real estate tokens on RealEstate.Exchange. BRICK is used to govern, support a fast and low-cost trading experience, and eventually provide early access to attractive real estate investment opportunities. Hence, the BRICK token services several functions:

- **Governance:** The BRICK token will be used for governance purposes in the RealEstate.Exchange ecosystem and community. Holders of the token may vote on governance matters such as new real estate assets to be listed on the RealEstate.Exchange, BRICK listings on exchanges, and any liquidity thresholds to be maintained.
- **Privileged Access:** Holders of the token may receive exclusive participation access to new initial offerings of real estate projects and pre-sale events. There will be a special role for professional appraisers of real estate projects that will also be rewarded with tokens.
- **Transaction / Network Fees:** Stakers will receive a split of the transaction fee in the form of BRICK tokens once the BRICK network is operating, requiring buyers and sellers of real estate tokens using the network to approve transactions using BRICK as gas fee.

RealEstate.Exchange is a decentralised exchange (DEX) that will be available as both an *order book* and *AMM* to allow investors to buy, sell and eventually borrow against real estate on the blockchain. Taking the best elements from pre-existing DEXs and AMMs like Balancer and DeFi lending platforms like Aave, we are adding a whitelisting layer on top in order to secure compliance when trading and borrowing against real estate tokens on the blockchain. The tokens listed on RealEstate.Exchange will consist of two types of tokens - ERC-20 utility tokens and ERC-1404 security tokens:

- **ERC-20 utility tokens (i.e. BRICK):** Our native token that can be traded and exchanged on Balancer without whitelisting
- **ERC-1404 security token (i.e. RE1, RE2, etc):** Will be issued by the real estate developer who is registering their real estate property on the blockchain. In order for an investor to buy and trade the real estate token, investors will need to whitelist the wallet and identify him or herself to be compliant with regulation.

DigiShares is the creator of RealEstate.Exchange and the BRICK token. DigiShares has built more than 140 white-label solutions, allowing shares of real estate companies to be digitized and issued as security tokens on the blockchain. A digital share certificate will be stored within each token. Each token will represent one share in the company that owns the real estate property. DigiShares has built a system that will ensure only whitelisted, verified and approved investors can buy tokens. RealEstate.Exchange will tap into the same compliance mechanisms to provide a safe and secure experience on RealEstate.Exchange. DigiShares has a unique competitive advantage in bringing this to the market since it has access to the real estate

developers, their assets and many of their investors - as well as a unique understanding of global securities regulations.

BRICK Utilities

BRICK aims to become the leading token and eventually network that facilitates real world assets to be traded on a blockchain, making real estate interchangeable within the DeFi space. We do this by connecting Real Estate Security Tokens (STs) with Utility Tokens (UTs) in a single interface (RealEstate.Exchange) that is easy to use and adopt; and will be composable with other DeFi protocols. Introducing BRICK is key to unlock the utilities mentioned below, as the BRICK token allows to:

- Provide liquidity to AMMs and DEXs
- Get approval as an appraiser
- List new real estate properties on the blockchain
- Borrow against your real estate investments on the blockchain
- Participate in the governance of the ecosystem

Liquidity

Built on Ethereum and being EVM-compatible with other chains (ie. Binance Smart Chain, Polygon and more), RealEstate.Exchange enables transacting 24/7 and the BRICK liquidity pools allow for real asset price discovery. With BRICK liquidity pools added to battle-tested AMMs - which are then integrated to RealEstate.Exchange - users will experience the best order routing from aggregated liquidity sources to give traders the best prices.

Trading

BRICK and real estate tokens give asset owners the flexibility to easily create and manage their own market making strategies. By adding real estate properties on the blockchain, real estate developers can perform initial offerings alongside providing liquidity of their real estate tokens for other investors to trade. It eliminates complexities and allows ease of access for retail investors, fund managers, and digital-native investors around the world to freely provide liquidity and trade amongst the pools. Furthermore, it allows asset owners to develop a new revenue stream by acting as liquidity provider on their own asset.

Yield

Investors and real estate developers holding BRICK and/or real estate tokens can add these tokens to liquidity pools on AMMs and earn yield from swap fees and rewards allocated from the BRICK treasury to the Ecosystem.

Lending and Borrowing

By putting real estate on the blockchain and making it liquid using BRICK, we have effectively made real estate prices publicly verifiable and hence possible to borrow against. Working with protocols like Aave and Venus, we will allow investors and holders of real estate tokens to take out loans in USDC, DAI and other cryptocurrencies that have been deposited to the money

market for others to withdraw. In order to take out a loan, borrowers will have to provide collateral in the form of BRICK or real estate tokens, which comes with different loan-to-value (LTV) and liquidation thresholds depending on the asset. This is similar to [Aave Risk Parameters](#).

Metaverse

The metaverse is building real estate in the virtual world, with both non-blockchain companies like Facebook and blockchain organisations like Decentraland piling in. BRICK is uniquely positioned to bring physical real estate into the metaverse, allowing users to own the same property in both the physical and virtual world, with all the utilities that comes from owning both.

Artificial Intelligence

AI can greatly enhance RealEstate.Exchange by providing accurate market analysis, intelligent risk assessment, and efficient compliance and verification processes. It can offer personalized investment recommendations based on user preferences and historical data, improving engagement and decision-making. AI algorithms can optimize trading execution, ensuring the best prices and minimizing slippage. Furthermore, AI enables continuous improvement and innovation by learning from user interactions and market data. By leveraging AI technologies, RealEstate.Exchange can revolutionize real estate discovery, trading, investment, and compliance, delivering a superior user experience within the blockchain ecosystem.

Tokenomics

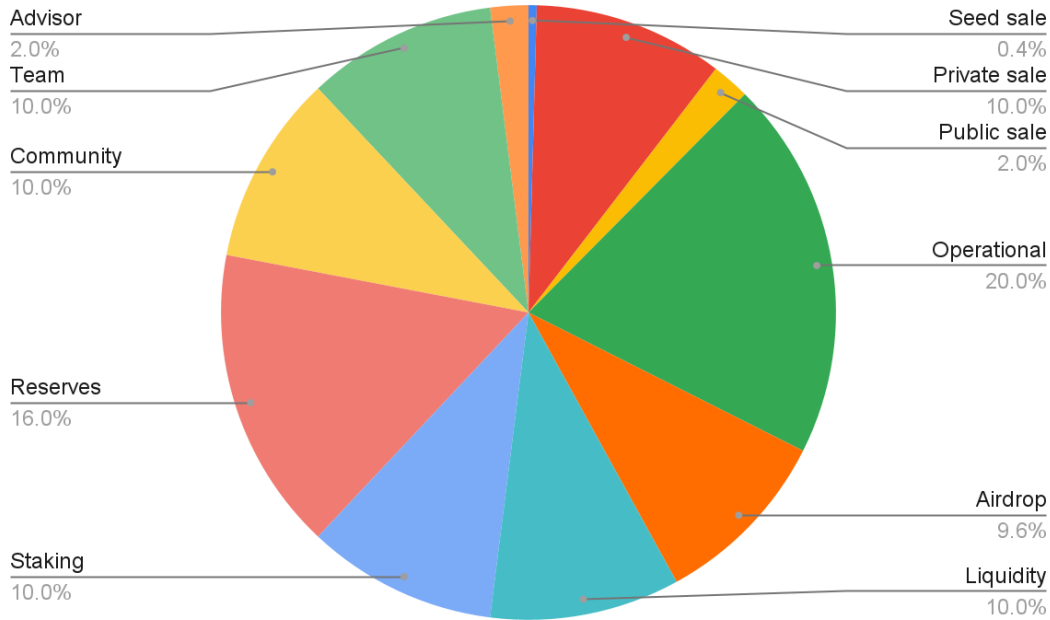
We're building the RealEstate.Exchange platform to allow our investors to easily buy and sell real estate assets on the blockchain as well as borrow against collateralized real estate backed tokens. The BRICK Token (BRICK) will be key to provide liquidity to investors, creating a low-cost, fast and secure way to trade real estate on the blockchain and facilitate DeFi lending.

BRICK is a platform utility token that is rewarded to liquidity providers and used as a bridge asset when trading and borrowing against real estate tokens on RealEstate.Exchange.

Token Characteristics

- Symbol: BRICK
- Network: ERC-20 issued on both Ethereum and MATIC Polygon
- Token supply: 10.000.000.000
- Accepted currencies: ETH, DAI, USDC
- Seed token sale: \$200,000 at \$0.00417 per BRICK token
- Private token sale: \$5,000,000 at \$0.005 per BRICK token
- Public token sale: \$1,500,000 at \$0.008 per BRICK token

Token Allocation



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¹ **Seed sale:** Sale of tokens to angel and seed investors. For more information refer to the Roadmap section

Private sale: Sale of tokens to private investors. For more information about the activities funded during this token sale, refer to the Roadmap section

Public sale: Sale of tokens to the public. For more information about the activities funded during this token sale, refer to the Roadmap section

Team: Consists of both current and future team members from both RealEstate.Exchange and DigiShares contributing to the success of BRICK.

Advisor: Rewarding advisors with tokens.

Staking: Cover staking rewards when investors lock up their tokens and receive staking rewards for doing so.

Liquidity: When BRICK investors provide liquidity to various pools. Exchange listings sometimes require the project to also provide initial liquidity for trading also. Staking is to vote on what properties to put up for sale.

Community: Cover remuneration for our community sourced admins for their contributions, community giveaways, contests, grants and any effort that would require funding to grow the community around BRICK.

Reserves: The reserves are used to cover any unforeseen costs or opportunities that can grow the community or otherwise help the ecosystem.

Operational: This allocation covers continuous funding of new licenses and developments to continue operating and expanding BRICK and RealEstate.Exchange

Airdrop: We intend to run an airdrop campaign to users that have gone through various steps on RealEstate.Exchange.

Token sales

We have three rounds of token sale: seed, private and public.

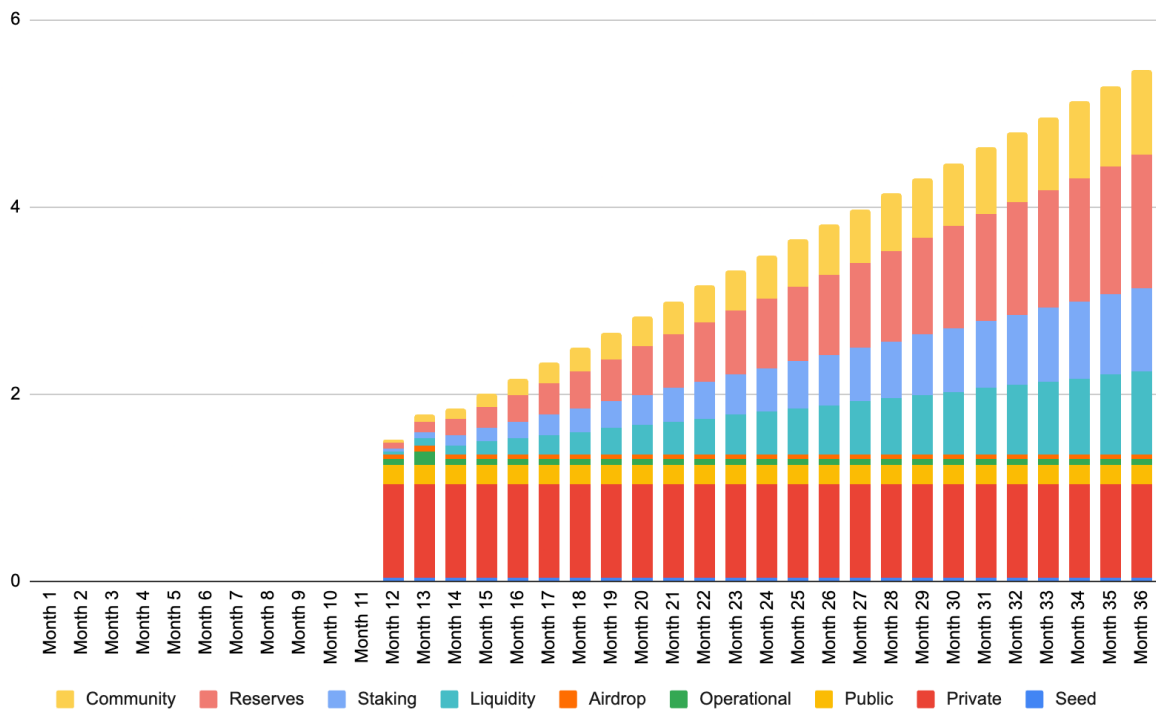
In case we do not manage to sell all the tokens offered in any given round, we intend to deposit the remaining tokens not sold to a vault and only activate this vault when we have found solid use cases for growing the community and ecosystem further, such as developer grants, airdrops and other special purposes that expands the adoption of BRICK.

Circulating supply

We intend to lock up supply of tokens in pools for the first 12 months of operation to avoid any pump and dump schemes while BRICK and the RealEstate.Exchange platform is rolling out features.

Once 12 months after the seed sale has completed, we start to unlock vested tokens, which will bring the maximum circulating supply of BRICK tokens to 8.4 billion after all vesting and unlocking has been completed 36 months after the seed sale has been completed.

The 1.6 billion BRICK tokens in supply but not in circulation after 36 months are kept in the reserve Fund and will never enter the circulating supply.



Vesting

The tokens allocated are all vested over a period of time to make sure everyone involved in and invested in BRICK has an incentive to continue to build a thriving ecosystem and community. If interested in how specific allocations vest and unlock over time, please request our Addendum from the team.

Issuance

We intend to issue two types of tokens

- BRICK tokens: ERC-20 token
- Real Estate (RE) tokens: ERC-1404 token

Issuance and distribution of BRICK tokens (ERC-20)

We intend to issue BRICK using [Remix](#) or equivalent. Once issued, we plan to sell via [Polkastarter](#) or equivalent to distribute the tokens among investors.

When we move to the public sale of BRICK, we intend to use [Copperlaunch](#) or equivalent to make a fair auction for token distribution that is compatible with liquidity pools on DEXs and AMMs like Balancer that we intend to use in order for investors to easily trade BRICK tokens after initial purchase.

Issuance of Real Estate tokens (ERC-1404)

Upon issuing the RE tokens, we will be using software that can issue ERC-1404 security tokens in a compliant manner - such as DigiShares white-label technology - with permissioning/whitelisting built into the token to stay compliant with transfer restrictions, yet still compatible with DEXs and AMMs.

We have already performed multiple tests of various real estate tokens issued on the Ethereum blockchain using the Goerli test network².

Order Book

The first version of RealEstate.Exchange DEX will be in the form of an order book, where buyers and sellers both create and fill orders on RE tokens. The typical flow for the order book version of the DEX will be:

1. An issuer/seller of tokens signs up to list their RE token on RealEstate.Exchange
2. A property page ([example](#)) is created and promoted to spur investor interest and awareness
3. The issuer/seller of the RE token creates one or multiple sell orders on the order book ([example](#)) and/or buyers create orders to either fill/bid orders
4. Upon finding a price that both buyers and sellers accept, the orders are accepted, currency is deposited into a smart contract that RealEstate.Exchange has created to facilitate the order book trade, and once both buyer and seller have deposited the agreed amounts the swap happens.

² <https://kovan.etherscan.io/token/0xD8272d26a012c319c8eaA9683e857b205EA4d500>
<https://kovan.etherscan.io/token/0x5eD622765b45413D940ffD7E07a04eB6bb2BC6A4>

When issuers of RE tokens are raising capital, they will create one large sell order for the RE token clearly stating on the property page that the underlying assets (properties) that makes up the value of the RE token will be developed once the large order has been filled.

AMM

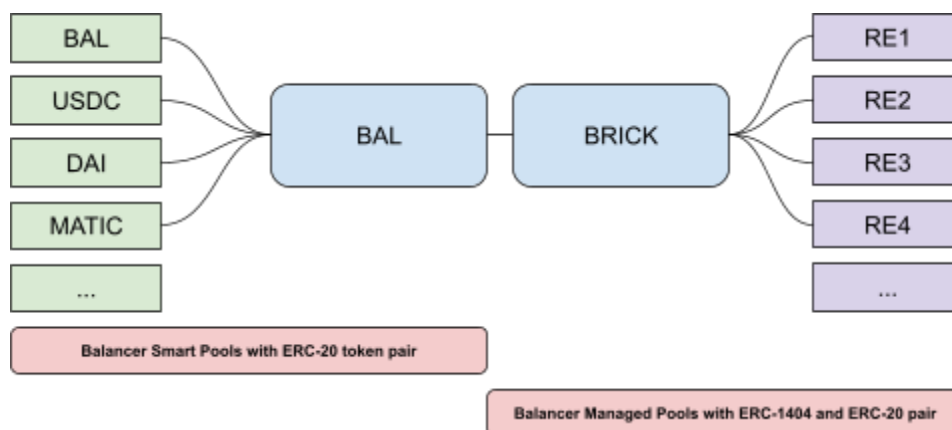
When the order book has been live for some time, building up trading volume for various RE tokens, we will start allowing RE token holders to add these tokens to liquidity pools, earning additional yield on their RE tokens, but most importantly to provide instant swaps for investors who look to buy and sell RE tokens.

In order to make an AMM work with RE tokens, we will use BRICK as the router between native crypto assets (ETH, USDC, DAI, BAL etc) and the real estate tokens (RE1, RE2, RE3). We do so by creating liquidity pool pairs with BRICK serving as the bridge between mainstream cryptocurrencies and real estate tokens. In order to maximize the liquidity between native crypto assets, BRICK and real estate tokens, we plan to create two types of pools on Balancer Protocol:

- Balancer [Smart Pools](#) for BRICK-BAL: Balancer has their own native tokens (BAL) and a wealth of pools on Balancer use BAL as the second pair of trading. This means the BAL token becomes highly liquid. By creating just one pool for BRICK-BAL, we will thereby maximize liquidity between native crypto assets and BRICK. In addition, Balancer has created smart pools where we can make weights between pairs that are not 50/50. BAL is a token with much higher market cap and liquidity compared to BRICK - at least initially - hence having flexible weights minimizes price fluctuations and maximizes liquidity.
- Balancer [Managed Pools](#) (MPs) for BRICK-RE: Balancer has created managed pools that allow for weights to change as a pool receives more and more liquidity. Initially liquidity will be very low when a real estate token is issued and paired with BRICK to form a liquidity pool. With MPs we can safeguard investors from market manipulation and adjust pair weights over time. This is crucial to maximize liquidity within any individual BRICK-RE pool and ensure a good user experience when trading and borrowing against real estate tokens.

With this split, we end up with the following types of liquidity pools needed for the ecosystem to work:

- BAL-ETH, BAL-USDC, etc: Multiple BAL pools already trading on Balancer that are highly liquid.
- BAL-BRICK: One BAL and BRICK pool to maximize size of pool and hence liquidity.
- BRICK-RE1, BRICK-RE2, etc: Real estate pairs between BRICK and individual real estate security tokens



How will the BRICK token ensure real estate tokens don't become illiquid?

The problem faced by BRICK and the real estate tokens we are planning to introduce is that they are completely illiquid prior to launching. So to ensure liquidity, we need a way to tap into existing liquidity pools and connect to these. With the token sale of BRICK, a large proportion of the funds raised have been allocated to provide liquidity in liquidity pools on AMMs such as Balancer. We do this in order to ensure high liquidity in the market from day one when a new real estate token is issued. Since there are many real estate tokens - from many different real estate properties - there is a high risk of a particular real estate token becoming illiquid in the market, unless there is a mechanism that works to prevent this. That mechanism is our BRICK token, as every real estate token is routed through BRICK, which is going to be a highly liquid asset in a large liquidity pool. This means that an investor will be able to swap almost any crypto asset into a real estate token with minimal to no price impact.

Why did we choose Balancer for our liquidity pools?

Balancer protocol has done an incredible job creating optimal conditions for both large and small liquidity pools with the introduction of Smart Pools and Managed Pools

- Smart Pools (BRICK-BAL):
 - Liquidity pool: By limiting the number of liquidity pools to one allows us to maximize how liquid the BRICK token is, instead of distributing liquidity across many pools. Using BAL as the token pair with BRICK also ensures access to larger more common assets like BTC, ETH, etc.
 - Liquidity: Allows to make 5-95 pools so BRICK tokens are not spread too thin across many pools with real estate tokens. This makes our setup future proof when we have thousands if not millions of real estate tokens issued on the blockchain. As the real estate token market expands, we will at a later stage be able to adjust pools to be 10-90, 15-85 etc.
 - Issuance: There are fewer restrictions to add new pools on Balancer, hence we issue tokens faster and have more flexibility when adding new real estate tokens
 - Pricing impacts: Smart pools allow us to set certain restrictions, such as restricting LPs to a whitelist that is required to stay compliant, as well as pause swapping in case we identify investors/"whales" trying to manipulate the market.
- Managed Pools (BRICK-RE): In addition to all of the above:

- Automatic rebalancing
- Determine fees (Swap fees, management fees, AUM fees)
- Liquidity Provider and trader Allowlists
- Include >30 tokens
- Active Token Management: Add, Remove, Change token weights (can do time-based)
- Circuit Breakers to protect from malicious/compromised tokens
- Pause trading

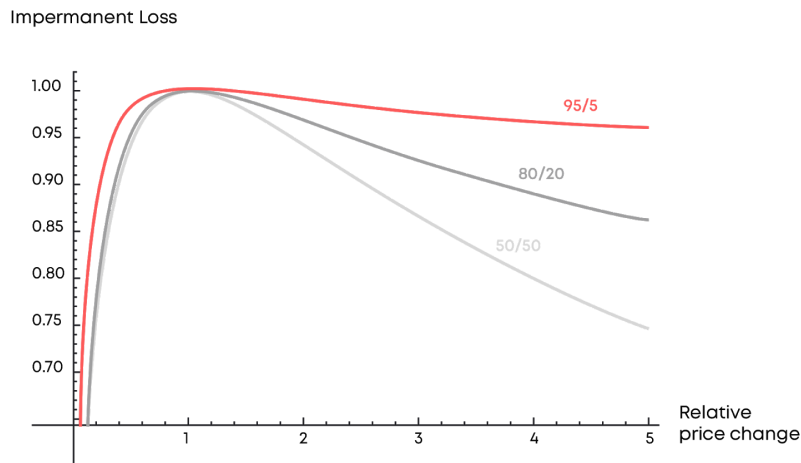
How will BRICK help to avoid impermanent loss when adding liquidity to a pool?

When it comes to the BRICK-BAL pool, we intend to compensate liquidity providers with rewards that should surpass any potential impermanent loss. See token distribution for more information.

When it comes to the BRICK-RE pools, there are multiple ways we either circumvent or compensate for impermanent loss:

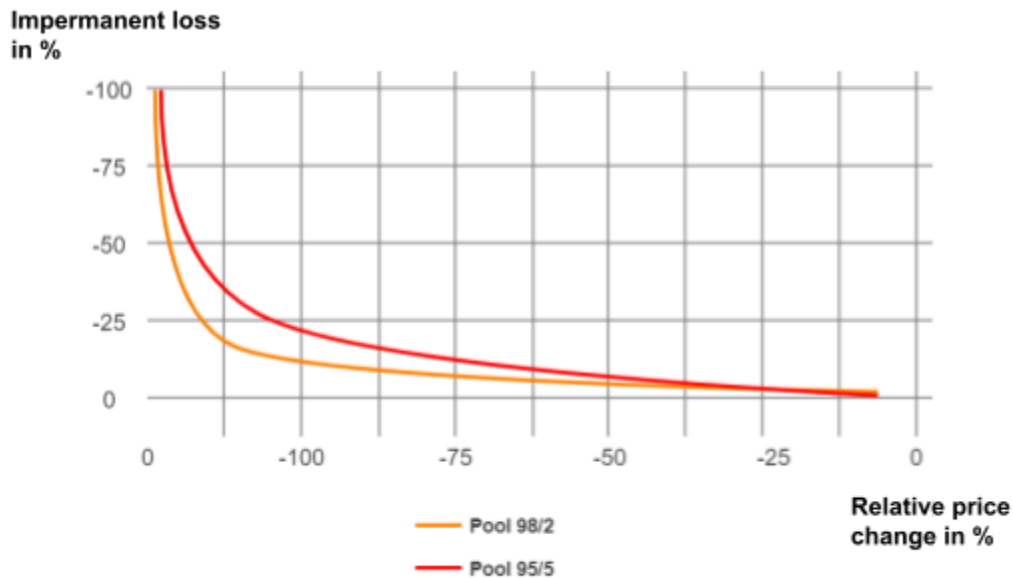
- Imbalanced pools, which minimizes the risk of impermanent loss
- Incentives in the form of high APYs when adding liquidity
- Extra incentives in the form of BRICK tokens provided as rewards for early liquidity providers

Despite our efforts to reward liquidity providers, there is still a risk. Impermanent loss depends on the balance of the liquidity pair, as shown in the graph below. A 50/50 pair is known as a “balanced pair”, and others are referred to as “imbalanced pairs”, which the Balancer protocol allows for. Imbalanced pairs are more effective in case of price fluctuations when it comes to minimizing impermanent loss.



Source: [Blaze.tech](https://blaze.tech)

Looking at the difference between imbalance pools 98/2 and 95/5, there is a significant difference for many price changes as shown in the graph below, where we will simulate a 50% price drop in one of the tokens relative to the other:



Source: [Defiyield-app](#)

In other words, a 3% difference between 95:5 and 98:2 pools transforms into 2x losses when it comes to a significant price drop in token pairs.

Price

When it comes to decentralisation, reaching consensus on key variables such as price of a real estate backed token works differently from price discovery of assets in a centralised stock exchange or brokerage.

To reach consensus on the price of a real estate backed token on the blockchain, oracles hold a key role in aggregating and consequently deciding on the true price for a certain token. The most popular oracle is Chainlink, which creates price feeds for each trading pair, such as [DAI-ETH](#), [USDC-ETH](#), etc.

With the BRICK token working as a route between real estate tokens and tokens that already have price discovered by oracles, we have effectively solved the price discovery challenge for security tokens.

How can the price of real estate tokens increase?

The price of real estate tokens should remain stable, as the underlying real estate asset is appraised annually. This should ensure that the traded price of any real estate token will not fluctuate much compared to its underlying value, as any price below or above the underlying value represents an arbitrage opportunity.

How will BRICK help to avoid price manipulation and volatility of real estate tokens?

Real estate tokens are different from other native blockchain tokens like BTC and ETH in that there is an underlying asset with a book value. Because tokens are traded in the open market, they can be manipulated. To safeguard price manipulation and sell-pressure below the book value of a real estate token, we have set a circuit breaker on all pools to equal the token price that equates to the book value of the underlying asset.

Besides the above mentioned, a structural defense against large price impacts is to set up BRICK and real estate tokens to be highly liquid. By creating BRICK-RE pools as smart pools, we can set certain trading restrictions that we can activate if we see actors in the market trying to manipulate the price of any real estate token issued.

Yield

The main incentive to buy real estate is to earn yield from rent, dividends or other cash flows generated by the real estate property. This is also why we intend to build yield into the real estate tokens issued via RealEstate.Exchange.

Because we whitelist wallets to buy real estate tokens we issue, we have several options to handle yield and distribute amongst the holders at certain dates. The most important thing to us is that distribution of yield happens in a compliant and a secure way that is easy to track for both current and future investors on the blockchain.

Lending & Borrowing

With the BRICK token and real estate tokens issued, liquidity provided in the market, and price adjusted by oracles, we will be able to tap into all sorts of interesting opportunities with DeFi - Decentralised Finance. One of the more exciting opportunities we are pursuing on our roadmap is the ability to deposit security tokens on platforms that perform DeFi lending, and use those security tokens as collateral to take out a loan.

By doing so, real estate developers and investors would have an attractive argument for issuing and investing in real estate assets on the blockchain. A large tradeoff when it comes to real estate investments is the illiquid characteristics of a real estate investment. By effectively solving this, we make it orders of magnitude more attractive to invest in real estate on the blockchain than off the blockchain.

Which lending and borrowing platforms are we targeting and in discussions with?

We are in discussions with one of the largest DeFI lending and borrowing platforms on leveraging real estate tokens on their pre-existing protocols.

Which tokens can be used as collateral on these platforms?

The tokens to list and hence that can be used as collateral are the real estate tokens. The BRICK token might be possible in the future, however for the time being BRICK is used primarily to route liquidity between real estate tokens and larger cryptocurrencies like ETH, USDC, DAI etc. This is an important function because real estate tokens will never be listed on lending and borrowing platforms if there insufficient liquidity in the market for both price discovery and liquidators to operate in the money market that underpins lending and borrowing platforms.

What are the requirements to be listed on lending and borrowing platforms?

Initially we will support ERC-1404 tokens. ERC-1404 is the most widespread and audited security token protocol and most projects have been tokenized according to this protocol. Later we will support other common security token protocols.

We will develop governance and criteria for real estate assets to be listed, such as quality of appraisal and jurisdiction but the general sentiment is that the platform will impose few restrictions to make a free market.

We will introduce a role of appraiser on the platform to ensure that projects are appraised. This appraisal must be paid for in BRICK tokens and anyone acting as appraiser must be an approved and accredited real estate appraiser as well as holding a number of BRICK tokens.

How does the financing work?

Lending and borrowing protocols like [Aave](#), [Compound](#) and [Venus](#) have already developed and battle-tested the economics of a decentralised money market.

Common for them all is that lending and borrowing rates have a spread, which generates an economic incentive for lenders to lend out their crypto assets. On top of this there are liquidators, which can liquidate a certain loan if the collateral ratio reaches below a certain threshold. These thresholds are well defined, and maintains updated on for example [Aave's Risk Parameters](#) for each asset that is possible to borrow.

To help the community and spark growth within these lending and borrowing markets, we intend to allocate a portion of our Ecosystem tokens to lending and borrowing rewards. This means that by lending or borrowing both BRICK and real estate tokens on money markets, investors will get the yield defined by the protocol, and additional BRICK tokens on top as rewards.

Roadmap³

After seed sale - Demo

- Wallets & Whitelisting: Integrate conventional wallets like Metamask to new and existing investors. Once a wallet is connected by a user, incorporate third party whitelisted wallet APIs & databases to providers such as Sumsb to complete KYC and AML of a user.
- Platform: Development of closed beta of RealEstate.Exchange
- Token: Complete audit of white paper for BRICK token ready for publishing to private sale
- Compliance: Clarified legal framework for regulatory licensing in both Europe and the US
- Clients: Start interacting with potential sellers/issuers of real estate tokens to build a strong pipeline for when the platform is ready to go live. Sign minimum 5 MoUs with potential clients.

After private sale - V1 order book DEX

- Wallets & Whitelisting: Sync wallets that have been whitelisted to partner platforms (such as DigiShares whitelabels) so users don't have to verify themselves multiple times across platforms
- Platform: Complete development of the order book version of the DEX, enabling real estate tokens represented in security tokens to be traded P2P 24/7 trading on RealEstate.Exchange
- Token: Complete audit of BRICK token contract
- Compliance: Get necessary licenses to launch the order book version of the DEX
- Clients: Sign minimum 10 MoUs and 5 clients to list properties on the exchange.

After public sale - V2 order book & AMM DEX

- Wallets & Whitelisting: External brokers can enter in shared KYC/AML information to register the wallet on our system via API, with information checked & updated if necessary every time a connection is made.
- Platform:
 - Complete development of the AMM version of the DEX using Balancer's Managed Pool Contracts
 - Allow users to become liquidity providers of both BRICK and RE tokens
- Token: Create first BRICK-RE liquidity pools
- Compliance: Get necessary licenses to launch the order book version of the DEX
- Clients: Sign minimum 50 MoUs and 25 clients to list properties on the exchange.

Operational & Reserves - V3 own app chain

- Wallets & Whitelisting: Expand wallet integrations to non-EVM compatible wallets
- Platform:
 - Integrate onramp and offramp with Coinify or other gateways

³ [See spreadsheet for more details](#)

- Lending & borrowing where the P2P liquidity provider gets the majority of loan interest.
- Develop privileged access for professional appraisers to invest early in new real estate projects.
- Create a wrapper tool for RE tokens to be available both on EVM chains and the BRICK chain
- Token:
 - App chain: BRICK branches out to a run it's own network and blockchain using the Cosmos tech stack, which will make the BRICK chain a cross-blockchain that can connect to all ecosystems, spanning from Ethereum to Polkadot to Solana and more)
 - Validators: Get validators to validate blocks for the BRICK blockchain
- Compliance: Get necessary licenses to operate worldwide
- Clients: Sign minimum 100+ MoUs and 50+ clients to list properties on the exchange.

Team

Founding team

Mark Dencker

Role: Head of Project / Product

Linkedin: markdencker

Telegram: @markdencker

Background:

Co-founder at Blockbasis

Co-founder at Wiredelta

Claus Skaaning

Role: Management

Linkedin: clausaskaaning

Telegram: @clausk

Background:

PhD computer science, 7 patents, AI background, serial entrepreneur

Advisor and mentor for many university spinouts

CEO of DigiShares

Senior team

Volodymyr Havrylyuk-Yensen

Role: Legal Counsel

Linkedin: volodymyr-h-y

Telegram: @vhypm

Background:

L.LM (Cand. jur.) University of Copenhagen

L.LB International and European Law University of Groningen

Emil Holtemann

Role: Client Manager

Linkedin: Emil Holtemann

Telegram: @emholt

Background:

B.a. Social Sciences

Previously founder of Filmhus Møn, and award-winning journalist.

Jones Jin

Role: Fullstack Web developer

Linkedin: jones-jin-0874621a9

Telegram: @jonesjin910

Background:

Full stack developer in exlance.io

Full stack web developer and Mobile developer in FESCO

Advisors

- Consulted with Balancer core team, including Jeff Bennett and Jeremy Musighi
- Ajit Tripathi, Aave
- Claus Nielsen, former director, Saxo Bank

LEGAL CONSIDERATIONS, RISKS AND DISCLAIMER (CONTINUED)

LEGAL CONSIDERATIONS

The Company has used reasonable endeavours to approach the Token Sale in a responsible and sensible manner. Given the legal uncertain of distributed ledger technologies, businesses and activities as well as cryptocurrencies and cryptocurrency-related businesses and activities in a number of jurisdictions, the Company has spent time and resources to consider its business approach and where it proposes to operate now and in the future. As such, it is possible that the Company's BRICK Tokens described in this Whitepaper and which are the subject of the Token Sale (the "Tokens") may comprise a security in your jurisdiction or the offer for sale by the Company of the Tokens in your jurisdiction may be a regulated or prohibited activity and in either of these cases the Company may be liable for the same. The Company accepts no responsibility or liability to you in these or any other circumstances. You are strongly advised to take independent legal advice in respect of the legality in your jurisdiction of your participation in the Token Sale and purchase of Tokens.

The Tokens are utility tokens designed for use only on the Company's business platform that is yet to be developed. The Tokens are not securities. In the event that you purchase Tokens, your purchase cannot be refunded or exchanged. The Company does not recommend purchasing Tokens for speculative investment purposes. Tokens do not entitle you to any equity, governance, voting or similar right or entitlement in the Company or in any of its affiliated companies. Tokens are sold as digital products, similar to downloadable software, digital music and the like. The Company does not recommend that you purchase Tokens unless you have prior experience with cryptographic tokens, blockchain-based software and distributed ledger technology and unless you have taken independent professional advice.

The Company may choose to make the Available Information in a number of different languages. In the event of any conflict between the English version of the Available Information and any foreign language version, the English language version will prevail.

REGIONAL RESTRICTIONS

Citizens, nationals, residents (tax or otherwise) and/or green card holders of each of: (i) the United States of America; (ii) the People's Republic of China; (iii) Antigua and Barbuda, Algeria, Bangladesh, Bolivia, Belarus, Burundi, Myanmar (Burma), Cote D'Ivoire (Ivory Coast), Crimea and Sevastopol, Cuba, Democratic Republic of Congo, Ecuador, Iran, Iraq, Libya, Mali, Morocco, Liberia, Nepal, North Korea, Russian Federation, Somalia, Sudan, Syria, Venezuela, Zimbabwe; and (v) any other jurisdiction which prohibits the possession, dissemination or communication of the Available Information and/or prohibits participation in the Token Sale or the purchase of Tokens or the offer for sale of the Tokens or any similar activity or product (collectively the "Restricted Jurisdictions") or any other Restricted Persons are not permitted to participate in the Token Sale. The term "Restricted Persons" refers to any firm, company, partnership, trust, corporation, entity, government, state or agency of a state or any other incorporated or unincorporated body or association, association or partnership (whether or not

having separate legal personality) that is established and/or lawfully existing under the laws of a Restricted Jurisdiction (including in the case of United States of America, under the federal laws of the United States of America or under the laws of any of its States).

The Tokens are not intended to constitute, and shall not constitute, securities in any jurisdiction. This Whitepaper does not constitute a prospectus or offer document of any sort and the Available Information is not intended to constitute an offer of securities or a solicitation for investment in securities in any jurisdiction. The Company does not provide any opinion or any advice to purchase, sell, or otherwise transact with Tokens and the presentation, publication or communication of all or any part of the Available Information shall not form the basis of, or be relied upon in connection with, any contract or investment decision.

REPRESENTATION & WARRANTIES BY YOU

By howsoever accessing and/or accepting possession or communication of all or any part of the Available Information, you represent and warrant (and shall be deemed to represent and warrant) to the Company on the date of such access or on the latest date on which you retain possession of all or any part of the Available Information as follows:

- you are over 18 (eighteen) years of age;
- you agree and acknowledge that the Tokens do not constitute shares or equities or securities or financial instruments or investments in any form in any jurisdiction;
- you agree and acknowledge that the Available Information (including the Whitepaper and the Website) does not constitute a prospectus or offer document of any sort and is not intended to constitute an offer of securities in any jurisdiction or a solicitation for investment in securities and you are not bound to enter into any contract or binding legal commitment and no cryptocurrency or other form of payment is to be accepted on the basis of the Available Information;
- you agree and acknowledge that no regulatory authority has examined or approved of the Available Information, no action has been or will be taken under the laws, regulatory requirements or rules of any jurisdiction and the publication, distribution or dissemination of all or any part of the Available Information to you does not imply that the applicable laws, regulatory requirements or rules have been complied with;
- you agree and acknowledge that the Available Information, the undertaking and/or the completion of the Token Sale, or future trading of the Tokens on any exchange or market (regulated, unregulated, primary, secondary or otherwise), shall not be construed, interpreted or deemed by you as an indication of the merits of the Company, the Tokens, the Token Sale or the Available Information;
- the distribution or dissemination of the Available Information any part thereof or any copy thereof, or acceptance of the same by you, is not prohibited or restricted by the applicable laws, regulations or rules in your jurisdiction, and where any restrictions in relation to

possession are applicable, you have observed and complied with all such restrictions at your own expense and without liability to the Company;

- you agree and acknowledge that in the case where you wish to purchase any Tokens, the Tokens are not to be construed, interpreted, classified or treated as:
- any kind of currency or commodity;
- debentures, stocks or shares issued by any person or entity (whether the Company or otherwise);
- rights, options or derivatives in respect of such debentures, stocks or shares;
- rights under a contract for differences or under any other contract the purpose or pretended purpose of which is to secure a profit or avoid a loss;
- units in a collective investment scheme;
- units in a business trust;
- derivatives of units in a business trust;
- any other security or class of securities; or
- you are fully aware of and understand that you are not eligible to purchase any Tokens or access the Available Information if you are a citizen, national, resident (tax or otherwise) and/or green card holder of a Restricted Jurisdiction or if you are a Restricted Person;
- you have a basic degree of understanding of the operation, functionality, usage, storage, transmission mechanisms and other material characteristics of cryptocurrencies, blockchain-based software systems, cryptocurrency wallets or other related token storage mechanisms, blockchain technology and smart contract technology;
- you are fully aware and understand that in the case where you wish to purchase any Tokens, there are risks associated with: (A) the Company and its business and operations; (B) the Tokens; (C) the Token Sale; and (D) relying or acting on all or any part of the Available Information;
- you agree and acknowledge that the Company is not liable for any direct indirect special incidental consequential or other losses of any kind in tort contract or otherwise (including but not limited to loss of revenue income or profits or loss of use or data or loss of reputation or loss of any economic or other opportunity of whatsoever nature or howsoever arising) arising out of or in connection with any acceptance of or reliance on the Available Information or any part thereof by you; and

· all of the above representations and warranties are true, complete, accurate and not misleading from the time of your last access to and/or possession of (as the case may be) the Available Information.

RISK FACTORS

You should carefully consider and evaluate each of the following risk factors and all other information contained in these Terms before deciding to participate in the Token Sale. To the best of the Company's knowledge and belief, all risk factors which are material to you in making an informed judgment to participate in the Token Sale have been set out below. If any of the following considerations, uncertainties or material risks develops into actual events, the business, financial position and/or results of operations of the Company and the maintenance and level of usage of the Tokens could be materially and adversely affected. In such cases, the trading price of Tokens (in the case where they are listed on an exchange or market (regulated, unregulated, primary, secondary or otherwise)) could decline due to any of these considerations, uncertainties or material risks, and you may lose all or part of your Tokens or the economic value thereof.

RISKS RELATING TO PARTICIPATION IN THE TOKEN SALE

There is no prior market for Tokens and the Token Sale may not result in an active or liquid market for the Tokens.

Prior to the Token Sale, there has been no public market for the Tokens. In the event that the Company ever decides to seek the approval for availability of the Tokens for trading on a cryptocurrency exchange or market, there is no assurance that such approval will be obtained. Furthermore, even if such approval is granted by a cryptocurrency exchange, there is no assurance that an active or liquid trading market for the Tokens will develop, or if developed, will be sustained after the Tokens have been made available for trading on such market. There is also no assurance that the market price of the Tokens will not decline below the original or issue purchase price (the "Purchase Price"). The Purchase Price may not be indicative of the market price of the Tokens after they have been made available for trading on a market.

A Token is not a currency issued by any central bank or national, supra-national or quasi-national organisation, nor is it backed by any hard assets or other credit nor is it a commodity in the traditional sense of that word. The Company is not responsible for, nor does it pursue, the circulation and trading of Tokens on any market. Trading of Tokens will merely depend on the consensus on its value between the relevant market participants. No one is obliged to purchase any Token from any holder of the Token, including the purchasers, nor does anyone guarantee the liquidity or market price of Tokens to any extent at any time. Furthermore, Tokens may not be resold to purchasers who are citizens, nationals, residents (tax or otherwise) and/or green card holders of Restricted Jurisdictions or to Restricted Persons or to purchasers in any other jurisdiction where the purchase of Tokens may be in violation of applicable laws.

Accordingly, the Company cannot ensure that there will be any demand or market for Tokens, or that the Purchase Price is indicative of the market price of Tokens after they have been made available for trading on any cryptocurrency exchange or market.

Future sales or issuance of the Tokens could materially and adversely affect the market price of Tokens.

Any future sale or issuance of the Tokens would increase the supply of Tokens in the market and this may result in a downward price pressure on the Token. The sale or distribution of a significant number of Tokens outside of the Token Sale (including but not limited to the sales of Tokens undertaken after the completion of the initial crowdsale, issuance of Tokens to persons other than purchasers for purposes of community initiatives, business development, academic research, education and market expansion and issuance of Tokens as a reward to users of the Company's business platform that is yet to be developed or otherwise), or the perception that such further sales or issuance may occur, could adversely affect the trading price of the Tokens.

Negative publicity may materially and adversely affect the price of the Tokens.

Negative publicity involving the Company, the Company's that is yet to be developed, the Tokens or any of the key personnel of the Company and/or regulation of distributed ledger technologies, cryptocurrencies and/or crowdsales of tokens in any jurisdiction, may materially and adversely affect the market perception or market price of the Tokens, whether or not it is justified.

The Company may not be able to pay any anticipated rewards in the future.

There is no assurance that there will be sufficient engagement in the Company's business platform that is yet to be developed such that you will receive any rewards anticipated to be distributed to active users of the Company's business platform. Further, even in the event there is substantial engagement and interactions among the users of the Company's business platform that is yet to be developed, there is no assurance you personally will receive any part of the rewards. This is because the ability of the Company to pay any reward to you will depend on the future results of operations and the future business and financial condition of the Company, and there is no assurance of the future results of operations and the future business and financial condition of the Company.

There is no assurance of any success of the Company's Token Sale or business platform that is yet to be developed as envisaged by the Available Information.

The value of, and demand for, the Tokens hinges heavily on the performance of the Company's Token Sale and business platform that is yet to be developed and the continuous active engagement of its users and success of its contemplated business lines. There is no assurance that the Company's Token Sale will be successful or that its business platform that is yet to be developed will gain or continue to gain traction. While the Company has made every effort to provide a realistic estimate, there is also no assurance that the cryptocurrencies raised in the Token Sale will be sufficient for the development of the Company's business platform. For the

foregoing or any other reason, the development of the Company's business platform and launch of the anticipated Token functionality may not be completed and there is no assurance that it will be launched at all. As such, distributed Tokens may hold little or no worth or value and this would impact any trading price and/or use of the Tokens.

The trading price of the Tokens may fluctuate following the Token Sale.

The prices of cryptographic tokens in general tend to be relatively volatile, and can fluctuate significantly over short periods of time. The demand for, and the corresponding market price of, the Tokens may fluctuate significantly and rapidly in response to, among others, the following factors, some of which are beyond the control of the Company:

new technical innovations;

analysts' speculations, recommendations, perceptions or estimates of the Token's market price or the Company's financial and business performance;

changes in market valuations and token prices of entities with businesses similar to that of the Company that may be listed on the same cryptocurrency exchanges or markets as the Tokens;

announcements by the Company of significant events, for example partnerships, sponsorships or new product developments;

fluctuations in market prices and trading volume of cryptocurrencies on cryptocurrency exchanges or markets;

additions or departures of key personnel of the Company;

success or failure of the Company's management in implementing business and growth strategies; and/or

changes in conditions affecting the blockchain or financial technology industry, the general economic conditions or market sentiments, or other events or factors.

The funds raised in the Token Sale are exposed to risks of theft.

The Company will make every effort to ensure that the funds received from the Token Sale will be securely held in an custody wallet, which is a multi-signature address with access thereto by private keys held by reputable and trusted parties. Further, the Company may make every effort to ensure that the funds received by it from Token Sale will be securely held through the implementation of security measures. Notwithstanding such security measures, there is no assurance that there will be no theft of the cryptocurrencies as a result of hacks, sophisticated cyber-attacks, distributed denials of service or errors, vulnerabilities or defects on the Token Sale website, in the smart contract(s) on which the custody wallet and the Token Sale relies, on the Ethereum blockchain or any other blockchain, or otherwise. Such events may include, for example, flaws in programming or source code leading to exploitation or abuse thereof. In such

event, even if the Token Sale is completed, the Company may not be able to receive the cryptocurrencies raised and the Company may not be able to use such funds for the development of the Company's business platform. In such case, the launch of the Company's business platform might be temporarily or permanently curtailed. As such, distributed Tokens may hold little worth or value and this would impact their trading price.

RISKS RELATING TO THE CUSTODY WALLET

The private keys to the custody wallet may be compromised and the cryptocurrencies may not be able to be disbursed. The custody wallet is designed to be secure. Each of the holders of the three (3) private keys to the custody wallet will use all reasonable efforts to safeguard their respective keys, but in the unlikely event that any two (2) of the three (3) keys to the custody wallet are, for any reason whatsoever, lost, destroyed or otherwise compromised, the funds held by the custody wallet may not be able to be retrieved and disbursed, and may be permanently unrecoverable. In such event, even if the Token Sale is successful, the Company will not be able to receive the funds raised and the Company will not be able to use such funds for the development of the Company's business platform. As such, distributed Tokens may hold little worth or value and this would impact their trading price.

RISKS RELATING TO THE COMPANY

The Company's business platform that is yet to be developed.

Any events or circumstances which adversely affect the Company or any of its successor or affiliated operating entities may have a corresponding adverse effect on the Company's business platform that is yet to be developed, including but not limited to the development, structuring and launch of the Company's business platform. Such adverse effects would correspondingly have an impact on the utility, liquidity, and the trading price of the Tokens.

The Company may be materially and adversely affected if it fails to effectively manage its operations as its business develops and evolves, which would have a direct impact on its ability to develop, maintain or operate the Company's business platform and/or develop, structure and/or licence any Token functionality.

The financial technology and cryptocurrency industries in which the Company competes have grown rapidly over the past few years and continue to evolve in response to new technological advances, changing business models, shifting regulations and other factors. As a result of this constantly changing environment, the Company may face operational difficulties in adjusting to the changes, and the sustainability of the Company will depend on its ability to manage its operations, ensure that it hires qualified and competent employees, and provides proper training for its personnel. As its business evolves, the Company must also expand and adapt its operational infrastructure. The Company's business will in part rely on its blockchain-based

software systems, cryptocurrency wallets or other related token storage mechanisms, blockchain technology and smart contract technology. All of these systems, tools, and skillsets represent complex, costly, and rapidly changing technical infrastructure. In order to demonstrate continued ability to effectively manage technical support infrastructure for the Company's business platform that is yet to be developed and the future functionality of the Tokens, the Company will need to continue to upgrade and improve its data systems and other operational systems, procedures, and controls. These upgrades and improvements will require a dedication of resources and are likely to be complex and increasingly rely on hosted computer services from third parties that the Company does not or will not control. If the Company is unable to adapt its systems and organisation in a timely, efficient, and cost-effective manner to accommodate changing circumstances, its business, financial condition and/or results of operations may be adversely affected. If the third parties whom the Company relies on are subject to a security breach or otherwise suffer disruptions that impact the services the Company uses, the integrity and availability of its internal information could be compromised, which may consequently cause the loss of confidential or proprietary information and/or economic loss. The loss of financial, labour or other resources, and any other adverse effect on the Company's business, financial condition and/or operations, would have a direct adverse effect on the Company's ability to develop maintain or operate the Company's business platform and/or to develop, structure and/or license the anticipated Token functionality. Any adverse effects affecting the Company business or technology are likely to also adversely impact the utility, liquidity, and trading price of the Tokens.

The Company may experience system failures, unplanned interruptions in its network or services, hardware or software defects, security breaches or other causes that could adversely affect the Company's infrastructure network, and/or the Company's business platform that is yet to be developed.

The Company is not able to anticipate when there would be occurrences of hacks, cyber-attacks, distributed denials of service or errors, vulnerabilities or defects in: the Company's business platform that is yet to be developed, in the smart contracts on which the Company or the Company's business platform relies, or on the Ethereum or any other blockchain. Such events may include, for example, flaws in programming or source code leading to exploitation or abuse thereof. The Company may not be able to detect such hacks, cyber-attacks, distributed denials of service errors vulnerabilities or defects in a timely manner, and may not have sufficient resources to efficiently cope with multiple service incidents happening simultaneously or in rapid succession.

The Company's network or services, which would include the Company's business platform that is yet to be developed and, if successfully structured, developed, licensed and launched, the Token functionality, could be disrupted by numerous events, including natural disasters, equipment breakdown, network connectivity downtime, power losses, or even intentional disruptions of its services, such as disruptions caused by software viruses or attacks by unauthorized users, some of which are beyond the Company's control. There can be no assurance that cyber-attacks, such as distributed denials of service, will not be attempted in the future or that the Company's security measures will be effective. The Company may be prone to

attacks on its infrastructure intended to steal information about its technology, financial data or user information or take other actions that would be damaging to the Company and/or holders of the Tokens. Any significant breach of the Company's security measures or other disruptions resulting in a compromise of the usability, stability, and security of the Company's business platform that is yet to be developed may adversely affect the utility, liquidity and/or trading price of the Tokens.

General global market and economic conditions may have an adverse impact on the Company's operating performance, results of operations and/or cash flows.

The Company could continue to be affected by general global economic and market conditions. Challenging economic conditions worldwide have from time to time, contributed, and may continue to contribute, to slowdowns in the information technology industry at large. Weakness in the economy could have a negative effect on the Company's business, operations and financial condition, including decreases in revenue and operating cash flows, and inability to attract future equity and/or debt financing on commercially reasonable terms. Additionally, in a down-cycle economic environment, the Company may experience the negative effects of a slowdown in trading and usage of the Company's business platform that is yet to be developed and may delay or cancel the development, structuring, licensing and/or launch of the anticipated Token functionality.

Suppliers on which the Company relies for servers, bandwidth, location and other services could also be negatively impacted by economic conditions that, in turn, could have a negative impact on the Company's operations or expenses. There can be no assurance, therefore, that current economic conditions or worsening economic conditions or a prolonged or recurring recession will not have a significant, adverse impact on the Company's business, financial condition and results of operations, and hence, the Company's business platform that is yet to be developed and/or the ability to develop, structure, license and/or launch any Token functionality. Any such circumstances would then correspondingly negatively impact the utility, liquidity, and/or trading price of the Tokens.

The Company or the Tokens may be affected by newly implemented regulations.

Distributed ledger technologies, businesses and activities as well as cryptocurrencies and cryptocurrency-related businesses and activities are generally unregulated worldwide, but numerous regulatory authorities across jurisdictions have been outspoken about considering the implementation of regulatory regimes which govern distributed ledger technologies, businesses and activities as well as cryptocurrencies and cryptocurrency-related businesses and activities. The Company or the Tokens may be affected by newly implemented regulations relating to distributed ledger technologies, businesses and activities as well as cryptocurrencies and cryptocurrency-related businesses and activities, including having to take measures to comply with such regulations, or having to deal with queries, notices, requests or enforcement actions by regulatory authorities, which may come at a substantial cost and may also require substantial modifications to the Company's business platform that is yet to be developed and/or the anticipated Token functionality. This may impact the appeal or practicality or functionality of the

Company's business platform that is yet to be developed and/or the anticipated Token functionality for users and result in decreased usage of and demand for the Company's business platform and the Tokens. Further, should the costs (financial or otherwise) of complying with such newly implemented regulations exceed a certain threshold, maintaining the Company's business platform that is yet to be developed and/or developing, structuring, licensing and/or launching the Token functionality may no longer be commercially viable, and the Company may opt to discontinue the Company's business platform that is yet to be developed and/or the anticipated Token functionality, and/or the Tokens. Further, it is difficult to predict how or whether governments or regulatory authorities may implement any changes to laws and regulations affecting distributed ledger technology and its applications, including the Company's business platform that is yet to be developed and/or the anticipated Token functionality, and/or the Tokens.

The Company may also have to cease operations in a jurisdiction that makes it illegal to operate in such jurisdiction, or make it commercially unviable or undesirable to obtain the necessary regulatory approval(s) to operate in such jurisdiction. In scenarios such as the foregoing, the utility, liquidity, and/or trading price of Tokens will be adversely affected and/or Tokens may cease to be traded.

There may be unanticipated risks arising from the Tokens.

Cryptographic tokens such as the Tokens are a relatively new and dynamic technology. In addition to the risks included in the above discussion of risk factors, there are other risks associated with your purchase, holding, and use of the Tokens, including those that the Company cannot anticipate. Such risks may further appear as unanticipated variations or combinations of the risks discussed above.