

A low-angle, upward-looking shot of a modern skyscraper with a glass facade, set against a deep blue background. A faint, white network of lines and dots is overlaid on the left side of the image. A bright blue square frame is positioned in the center, containing the text 'Real Blocks'.

Real Blocks

RealBlocks

Whitepaper
January 25, 2019

Table of Contents

| | | |
|-----------|--|----|
| 01 | Executive Summary | 3 |
| 02 | Market Analysis | 4 |
| | Real Estate Investing | 4 |
| | Blockchain | 8 |
| 03 | Problem | 10 |
| | Illiquidity in Real Estate | 10 |
| | Global Access | 11 |
| | Fund Compliance | 11 |
| | Drawbacks of Existing Real Estate Investment Solutions | 11 |
| 04 | Solution | 12 |
| | Liquidity | 12 |
| | Global Access | 13 |
| | Fund Compliance | 13 |
| | Transparency | 13 |
| 05 | Platform | 15 |
| | Investor Journey | 16 |
| 06 | Real Estate Offering Specific Token | 17 |
| | Revenue Streams & Cost Structure | 19 |
| 07 | Technology | 20 |
| | Tech Stack | 20 |
| | Smart Contracts | 21 |
| | Blockchain | 22 |
| 08 | Vision | 25 |
| 09 | Founding Team & Advisors | 27 |
| 10 | Disclaimer & Risk Factors | 30 |

01 Executive Summary

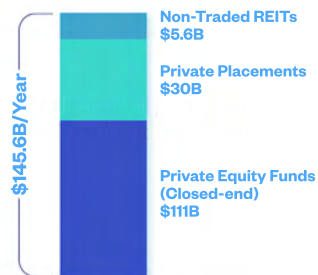
Established 2017

The RealBlocks team is creating a technology solution for real estate investing that utilizes blockchain for tokenized ownership of real estate. Until this point, private real estate markets have been characterized by high barriers to entry and limited liquidity options. By leveraging the functionality of blockchain technology, RealBlocks users will benefit from improved access, liquidity, security, transparency and reduced fees. The platform is designed to allow investors in various jurisdictions around the world to instantly buy, sell or trade fractional interest in United States real estate via the issuance of security tokens backed by real estate assets.

As an incubee in Techstars and portfolio company of Science Blockchain, we believe our MIT-led team behind RealBlocks is equipped with the personnel, business acumen, and relationships needed to successfully become a market leader in the tokenization of real estate.

Problem

\$145B of U.S. Real Estate is issued annually through private placements, non-traded REITs, and real estate private equity funds, and all of them are illiquid.



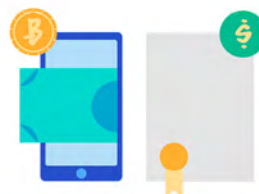
Solution

Our platform allows investors to directly purchase ownership interest in U.S. real estate using digital or fiat currencies, while also providing a mechanism for peer-to-peer liquidity. By using RealBlocks, anyone in the world is now able to **directly invest, raise capital, and obtain liquidity for investments in real estate.**

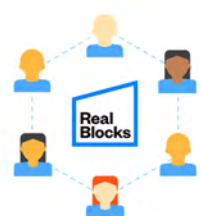
Value Propositions



**U.S. & International
Investors**



**Buy a share of Real
Estate**



Get liquidity

Follow our social media:



Impact

90% Cost Savings Associated with Liquidity

\$40B of Private Real Estate Investment Value Unlocked

\$54T of Global Real Estate Value Unlocked

Roadmap

Phase I (2019): Launch Marketplace

Phase II (2020): Growth with Other Real Estate Securities

Phase (2021): Global Real Estate Marketplace

02 Market Analysis

Real Estate Investing

Overall Market

Real estate is a cyclical industry influenced by factors such as interest rates, supply, demand, and strength of the (local and national) economy, to name a few. Risk tolerance, or the variability of returns an investor is willing to tolerate, plays a critical role when it comes to investing in real estate. Major risk categories in real estate include geographic risk, tenant (credit & leasing) risk, leverage, and economic risk.

Commonly categorized into either commercial (office, retail, industrial etc.) and residential (single family or multifamily), real estate is made up of a plethora of characteristics - making it one of the most unique investments in the world. Some of these notable characteristics include being heterogeneous, immobile and durable. From a pricing standpoint, imperfect information, positive and negative externalities, and high transaction costs cause price dispersion between buyers and sellers.

A macro-level look of value in the industry shows that the global value of developed real estate in 2015 equated to \$217 trillion, according to Savills.¹ Seventy-five percent of this value is considered residential, 21% being in North America. The remaining 25% of this value is commercial, nearly half of which resides in North America.



Real Estate Investment Market

There are multiple property types that make up the real estate investment market:

● Residential

Residential property is considered to be single-family homes. These asset type within the real estate investment market is especially popular among foreign buyers. Between April 2017 and March 2018, foreign buyers and recent immigrants purchased an estimated \$121 billion worth of residential property - accounting for 266,800 properties.²

¹ Savills. (2017, January 25). World real estate accounts for 60% of all mainstream assets.

² <https://www.gbrecb.com/GBREBDocs/GBAR/News/Informer/2018/2018-profile-of-international-transactions-in-us-residential-real-estate-07-26-2018.pdf>

● Multifamily

Multifamily housing is considered to serve a residential purpose but having more than one residence. A prime example would be apartment buildings - high rise, mid rise, garden/suburban. Multifamily is an enticing property type to invest in and is especially popular among foreign investors. In 2017, multifamily sales in the US accounted for nearly an estimated \$140 billion.³

● Office

Offices serve a variety of clientele and businesses, including medical, government, or finance. These buildings are further classified by quality and location into classes A, B, and C. In 2017, office properties within the US accounted for approximately \$123 billion in sales.⁴

● Retail

Retail properties sell consumer goods and services. Examples include shops, restaurants, bars, or convenience stores. With technology allowing for goods and services to be purchased from your couch, there is much speculation in the market on the direction of the retail sector. Despite this, there was over \$50 billion worth of retail properties transacted upon in 2017.⁵

● Industrial

These properties are used for industrial purposes and exist in a variety of sizes. A few examples include warehouses, self storage, distribution centers, and flex (mixture of industrial and office). Since the recession ended, demand for industrial property has been ascending and continues to do so.⁶ As a much sought after product, investors have also been acquiring land in order to develop industrial property. Investment sales of industrial properties accounted for almost an estimated \$60 billion in 2017.⁷

● Hospitality

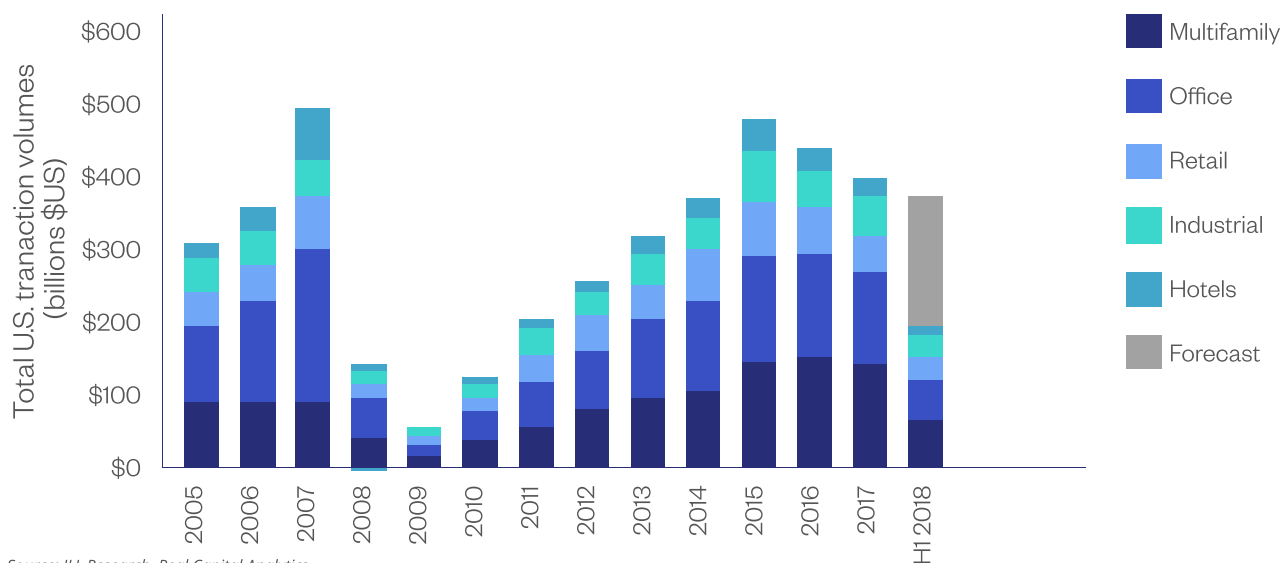
Hospitality covers properties considered to have a lodging component. Some examples include hotels, motels, resorts, or bed and breakfasts. Hotels tend to be the longest to construct than other commercial properties. In 2017, there were an estimated \$24 billion worth of hospitality investment sales. Given the trend toward increasing technology providing alternative solutions to traditional hospitality, we believe this will be a fascinating industry to observe in the coming years.⁸

● Mixed Use

Mixed Use properties contain a combination of the above property types. For example, a mixed use property may have retail on the bottom floor and apartment units on the floors above.⁹

The United States is by far the largest market for commercial real estate investment. As depicted in the graph, transactions larger than \$5M accounted for nearly \$400B worth of investment sales in 2017.¹⁰

FIGURE 1: Transaction Volume for Different Real Estate Asset Class



Source: JLL Research, Real Capital Analytics
(Transactions larger than \$5.0m; Includes portfolio, entity-level transactions)

³ In the first half of 2018, multifamily sales volume represented \$66.2 billion in transactions.

⁴ JLL H1 2018 Report.

⁵ In the first half of 2018, office sales were \$54.4 billion.

⁶ JLL Report H1 2018.

⁷ There were \$15.1 billion in transactions in the first half of 2018. The highest year over year growth at a 44% increase. ^JLL Report H1 2018

⁸ JLL Report H1 2018

⁹ In the first half of 2018, sales volume in the industrial sector reached \$30.5 billion, an 18.3% increase on the first half of 2017.

¹⁰ JLL Report H1 2018

Common Metrics used to evaluate real estate:

● Cash Flow

Cash flow for real estate investment properties is generated from rent paid by tenants subtracted by expenses (maintenance, insurance, improvements, utilities, and taxes etc.) as well as associated financing payments (if any) - investors receive all the money leftover.

● Net Operating Income

Net Operating Income, known as NOI, equates to the income the property is producing, taking into account operating expenses but not non-operating expenses like financing and capital improvements.

● Cap Rate

Cap rate is used as a rate of return and risk measurement. Often used to compare risk and return profiles of similar properties, a Cap Rate is calculated by the formula $\text{NOI} / \text{sales price (or market value)}$. It is a useful metric to determine and justify the price or value of a property.

Three common methods to determine the price or market value of properties include:

- 1) Sales Comparison Approach: This method uses comparable properties ("comps") that have recently sold to adjust the value based on features and factors of the subject property and comps. Of course, there are numerous factors to consider including the sales price, location, and physical characteristics (size, age, and condition).
- 2) Income Approach: This method determines the rate of return (the "Cap Rate") and income the property is producing (the "NOI") to calculate the property price, which equates to $\text{NOI} / \text{Cap Rate}$.
- 3) Cost Approach: Also known as replacement cost, this method estimates a price by determining the cost of acquiring the land plus the cost of construction subtracted by depreciation.

Private Market and Public Market

Investors can obtain exposure to the real estate market by investing in either public or private markets, and can also take different positions on the capital stack.

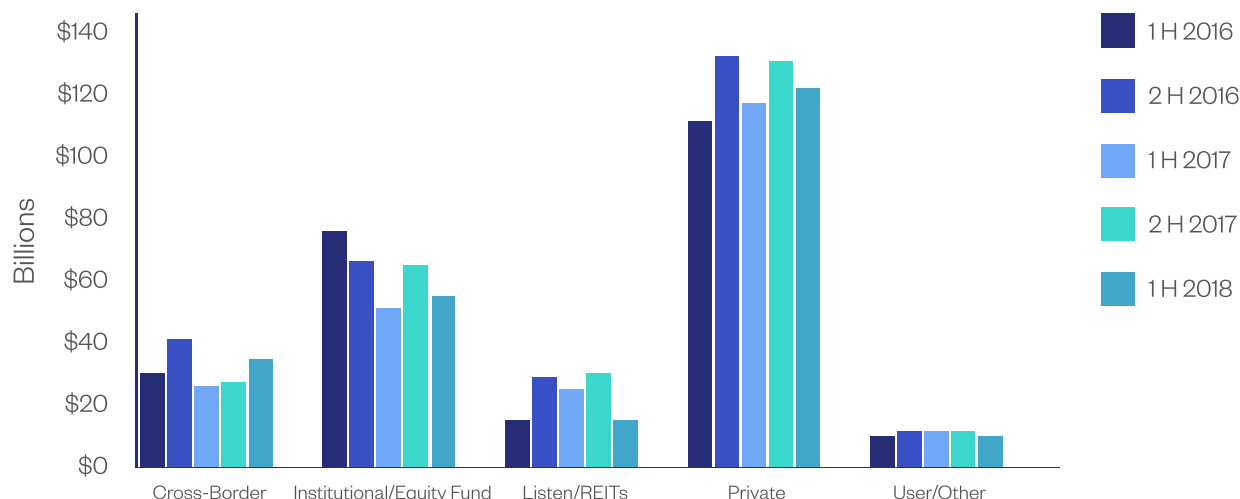
Public markets are those where small ownership of shares in assets are traded in public exchanges. Many buyers and sellers simultaneously participate in the market, and there is price transparency. The public markets are characterized by a high degree of liquidity as the assets (or the units of them) can be sold at the last quoted price.

In private markets, on the other hand, assets are traded between individual buyers and sellers, often through the aid of brokers. Typically, assets are bought and sold as whole rather than shares in this market. Therefore, the average size of the individual transaction tends to be more significant. Further, private markets are less liquid than the public ones, and given the information asymmetry it is more complicated to ascertain the prices of the total assets.

Debt positions entitle the holders to a right to the future cash flows from the assets, typically paid out by the borrowers on loans they have taken. The typical characteristic of debt assets is that it represents a senior claim for obtaining cash flows generated by the underlying asset. In contrast, the Equity positions represent a residual or subordinated claim on these cash flows (ibid). Equity is thus riskier than debt but also enjoys more control over managing the assets and upside potential.

As shown in the graph below, Private and Public (Institutional/Equity Fund + Listed REITs) markets comprise a majority of real estate acquisitions. However, another category that represents a notable portion of acquisitions in the United States are cross-border investments. United States real estate holdings have consistently been a part of foreign investor portfolios for many years. Stability and potential for high returns in the United States draw interest from around the world, especially in China, England, Canada and Mexico.

FIGURE 2 - Acquisitions by Type of Investor



Source: Real Capital Analytics

FIGURE 3: Top Offshore Sources of Capital - 2017 and 1H18

| Rank | First Half 2018 | | | Full Year 2017 | | |
|---------------|-----------------|-------------------|---------------|----------------|-------------------|---------------|
| | Country | Volume | Share | Country | Volume | Share |
| 1 | France | \$8,235.1 | 24.9% | Canada | \$16,768.5 | 30.1% |
| 2 | Canada | \$7,423.5 | 22.5% | Singapore | \$6,796.9 | 12.2% |
| 3 | China | \$4,632.7 | 14.0% | China | \$6,773.2 | 12.2% |
| 4 | Singapore | \$3,024.4 | 9.1% | Germany | \$4,344.2 | 7.8% |
| 5 | Germany | \$2,343.7 | 7.1% | Netherlands | \$3,255.3 | 5.8% |
| 6 | Hong Kong | \$890.7 | 2.7% | Japan | \$2,720.6 | 4.9% |
| 7 | United Kingdom | \$793.6 | 2.4% | Hong Kong | \$1,972.9 | 3.5% |
| 8 | Australia | \$771.2 | 2.3% | South Korea | \$1,961.8 | 3.5% |
| 9 | South Korea | \$681.8 | 2.1% | Israel | \$1,638.3 | 2.9% |
| 10 | Switzerland | \$604.4 | 1.8% | Switzerland | \$1,275.8 | 2.3% |
| | Other | \$3,664.4 | 11.1% | Other | \$8,220.7 | 14.8% |
| Total* | | \$33,065.4 | 100.0% | Total* | \$55,728.4 | 100.0% |

Source: Real Capital Analytics and Colliers International

Existing Real Estate Investment Solutions

REITs

REITs, or real estate investment trusts, are companies which own, operate, or finance income-producing real estate. Most REITs are listed on the major stock exchanges, and each share of their stock represents an interest in an underlying pool of real estate properties. The United States Congress created REITs in the 1960s as a tool to make income-producing real estate investments more accessible to individual investors. Being on the public market, they enjoy higher liquidity, smaller investment sizes, and lower resulting transaction costs. REITs operate in the same fashion as mutual funds, pooling investment capital from small investors and investing the larger pool in real estate properties. They offer daily liquidity and pricing along with transparency of reporting.

Private Equity Funds

These are pooled investment vehicles typically structured as Limited Partnerships - a collaboration between the Sponsor, General Partners ("GPs") and the Limited Partners ("LPs"). The GP is responsible for sourcing the capital from the LPs and actively managing such capital. These funds are further categorized as Closed- and Open-ended funds, depending on

Crowdfunding Platforms

In terms of lowering investment minimums, crowdfunding platforms represent an improvement over the private equity model. They aggregate funds from a well-diversified capital base of non-accredited investors. This inclusion has further enabled increased democratization in the world of real estate investing. As a result, existing crowdfunding platforms have successfully facilitated a wide array of project sales, asset types, sponsor/borrowers and across many locations. Crowdfunding platforms have also helped in removing some of the costly and time-consuming aspects of real estate investment activities, such as due-diligence, legal contracts, pipeline access and lowering of transaction costs.

In summation, while alternative players in the market provide fruitful real estate investment opportunities, each has its own associated limitations. Whether it be exposure to the stock market, illiquidity in certain cases and high barriers to entry in others, no one investment type is devoid of flaws. But the advancement of technologies such as blockchain, smart contracts and tokenization, may provide enhanced investment capabilities going forward. At RealBlocks, through the use of these emerging technologies, we aim to provide solutions to many of the issues that investors currently face in the market and evolve the real estate industry in a positive manner.

Blockchain

IBM defines blockchain as "a shared, immutable ledger for recording the history of transactions. It fosters a new generation of transactional applications that establish trust, accountability and transparency from contracts to deeds to payments."¹¹ At high level, blockchain is a network that allows multiple parties to collaborate without relying on a third party to establish trust.

Smart Contracts

A "smart contract," a term dubbed by Nick Szabo in 1994, is "a set of promises, specified in digital form, including protocols within which the parties perform on these promises." Simply put, each party to a smart contract has a set of transparent, immutable conditions that they must fulfill. Upon completion of these conditions, the contract is enacted and recorded on the blockchain. Through the extension of blockchain technology with Ethereum Smart Contracts, functions related to financial exchanges can expand beyond currencies and into various types of digital transactions.

Tokenization

Tokenization is the process of digitally representing ownership rights to real world assets in the form of a token on blockchain. Similar to asset securitization but more efficient and at a lower cost, tokenization can be applied on blockchain to any tangible or intangible asset and transacted upon. Tokenization holds particular relevance for real estate investing as it streamlines the transaction process, reduces fees and investment minimums, eases diversification, and provides liquidity options for illiquid assets. In doing so, tokenization both enhances functionality and creates previously non-existent capabilities in the real estate industry.

Transaction Process

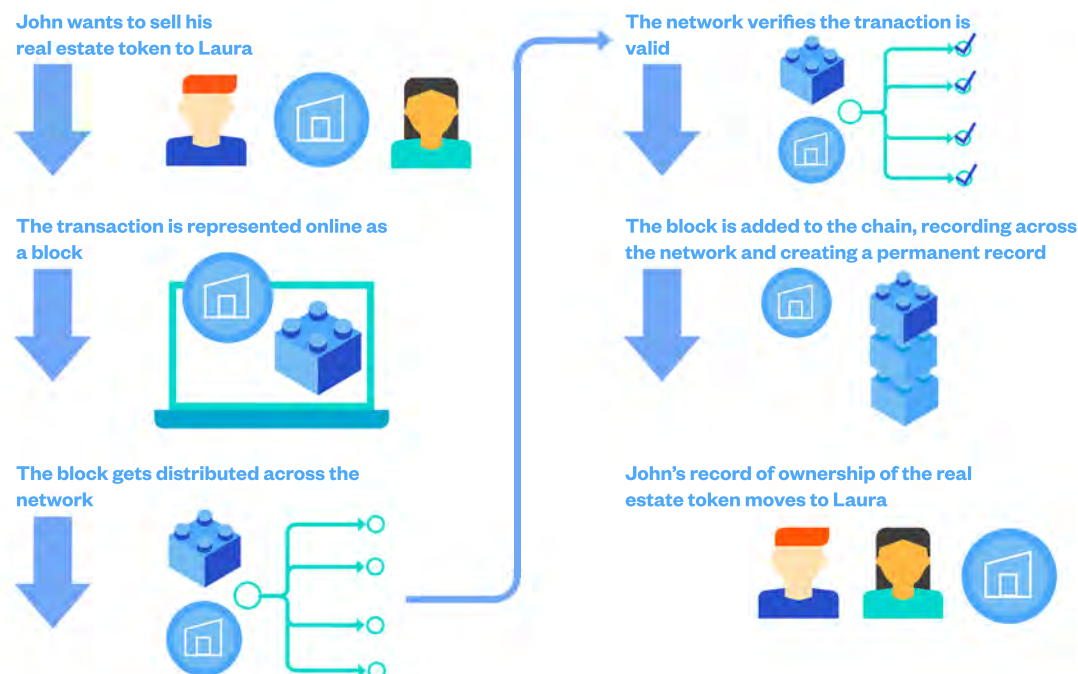
Whereas a traditional transaction passes from Party A to a series of intermediaries (most often attorneys, title agents, lenders, financial institutions) then to Party B, a blockchain transaction distributes the processing and verification process to a network of computers participating in a decentralized ecosystem. As a result, the control and power of a central intermediary to levy fees and restrictions in exchange for the trust and authority of that intermediary is displaced by a network of mutually verifying clients on the network.

Security

For real estate investors wary of moving their wealth onto a digital platform and co-investing with strangers, the improved security offered by blockchain technology may provide some comfort. In order to "hack" a traditional, centralized platform, a single location of entry exists for gathering valuable private data or access to digital ledgers. In the case of a blockchain network's decentralized ledger system, no single locus exists for the extraction and execution of digital transaction histories since the information is held throughout the network. The parts of individual smart contracts are broken into constituting elements and processed throughout the ecosystem. Therefore a malicious actor has no one specific location in which it may focus its "hack" or attack.

We believe blockchain technology has the power to revolutionize a number of prominent industries, including real estate. Below we have outlined just a few of the ways that blockchain technology may provide solutions to "real world" real estate problems.

FIGURE 4: How Blockchain Works



Further Education

Below are resources that provide additional information regarding the blockchain ecosystem:

- Blockchain
- Ethereum
- Smart Contracts
- Tokenization

¹¹ IBM. (2018). IBM Blockchain.

Potential Blockchain Solutions for Real Estate

● Title/ Land Records

About 30% of the property titles are found defective at the time of real estate transactions because of the centralization and paper-based manual recording system. This introduces high title insurance and related costs due to the chain of title and lien recording issues, fraud risk, required diligence, and cumbersome clearance process. The decentralized transparent public ledger can apply to the land information management. Such a register can act as a permanent database of all property rights and historical transactions.¹²

● Property Management

Property management of commercial real estate is a complicated venture due to various payments and service transactions in property management between landlords, tenants, and several vendors. The digital profiles of the owners, tenants, and the property on the blockchain can enable more accessible, transparent, and efficient management of the asset and cash flows. Smart contracts, in this case, will replace the traditional paper-based legal agreements. All the financial transactions between the owner and the tenant such as monthly rent payments, security, and maintenance deposits can be monitored and executed using these digital contracts.

● Market Listing Services (MLS)

MLS is an information sharing platform where agents mutually help one another to sell their inventory. Commission distribution between the broker parties incentivizes this arrangement. However, accessing this centralized information requires a high sign-up fee from the subscribers. Most notably, the data can be incomplete, fragmented and outdated. Peer-to-peer distributed network offered by the blockchain-based MLS would allow brokers to have more control over their listing data while also increasing its accessibility.

● Tokenization

Tokenizing ownership of real estate allows for a number of potential use cases. One of the most prominent use cases for blockchain is the ability to quickly and seamlessly raise capital from investors all over the world. For real estate sponsors seeking to raise capital, leveraging blockchain may prove to be more a cost efficient method than the current system in place. Tokenization also allows for fractionalized ownership, which would help to decrease barriers to entry for investors, thereby creating opportunities for many more participants in the real estate investment market.

¹² Spielman, A. (2016). Blockchain: Digitally Rebuilding the Real Estate Industry. MIT Program in Real Estate Development.

03

Problem

Though the real estate industry has made strides to improve efficiency through technology, issues around investment transparency, liquidity, transaction fees, and high barriers to entry remain largely unchanged. Many of the already-implemented changes appear as incremental improvements rather than a fundamental shift in opportunity and possibility.

1. Illiquidity in Real Estate

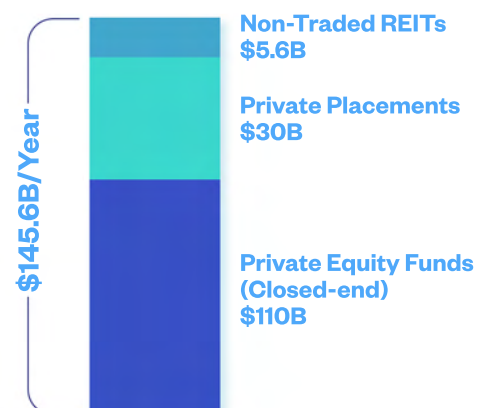
The liquidity component to an investment has always been an influential factor of an investor's decision-making. Liquidity is an often much-desired characteristic in an investment but tends to come at a price. Usually, investors do not want their money locked up in an investment for extended periods of time and as a result receive an illiquidity premium.¹³

One of the few options to receive liquidity for your private market real estate investment is through a redemption program offered by the sponsor. Though, these programs offer limited liquidity and often a 'waiting period' in addition to high fees. If an investor is looking to liquidate within a year they are charged a penalty.

There are multiple dimensions of liquidity. These dimensions include the frequency of trading, the cost of the trading or transaction costs (both buy-sell cost and information costs), the time a property is on the market, market movement while the property is on the market, uncertainty about the final sale price, and impact of the prices for similar assets. Of these, trading activity and time on the market are the most common measures of liquidity in the market.

As of Dec. 31, 2017, there were 94 open or closed Non-Traded REITs that manage about \$85.2 billion in assets that have not been liquidated. This denotes a vast amount of capital that is "locked up" and cannot be used for other purposes, if needed. We believe providing liquidity to this market would represent a significant improvement for investors, allowing them to enter and exit the market with relative speed.

FIGURE 5: Amount of Illiquid Capital Raised by Different Investment Vehicles



¹³ Sexton, L. (2018, June 1). Nontraded investments by the numbers: A performance review of REITs, BDCs and interval funds during 2017.

2. Global Access

Markets around the globe tend to have a degree of disconnection as retail investors are unable to access institutional deal flow and the process for foreigners to invest is still a time- and labor-intensive process.

Foreign investors looking to invest in United States real estate typically must engage in a cumbersome process, consisting of such actions as forming an LLC, verifying identification, obtaining an Employer Identification Number ("EIN"), preparing a purchase contract, creating a bank account for the LLC and wiring investment funds. We believe these logistical hurdles and fees often result in a lack of participation by foreign retail investors in United States real estate investments.

For investors, we believe the ability to access institutional deal flow, even in foreign markets, should be more of a seamless process. For issuers, we believe the ability to access foreign capital with relative ease would lead to more transactions overall.

3. Fund Compliance

Compliance is expensive. The rules and regulations for onboarding domestic and foreign investors are complex and also may extend into post-issuance rules, such as holding periods. There is also the onerous process of ensuring that a fund doesn't exceed a certain number of investors and/or that it polices different classes of investors (e.g., accredited, qualified and foreign). We believe this complexity has negative effects on both sides of the marketplace.

Issuers incur extra costs from having to hire additional staff to manage the operational responsibilities of compliance and investors are subject to illiquidity – consider the burden of validating whether:

- 1) a share's holding period has expired
- 2) the share recipient is eligible to receive such share
- 3) the trade doesn't run afoul of any limitation on the number of investors and involves the right class of investors.

The reality is that this kind of traditional process requires substantial staff (or third-party service providers) to manage.

Drawbacks of Existing Real Estate Investment Solutions

1. Publicly Traded REITs

The primary disadvantage of the REITs comes from the fact that they are listed on the stock exchange. Therefore, their prices have some of the systematic risk associated with the broader stock market. While many individuals aim to diversify their portfolios through real estate investment, the correlation between the performance of the stock market and REITs reduces the diversification effects for an investor's portfolio. Moreover, an investor investing in REIT stock has no control on investment decisions. Further, as REITs are classified as a pass-through entity of real estate properties, their dividends are taxed at an ordinary income tax rate.

2. Private Equity Funds

Private Equity funds typically require a property/asset manager or a general partner, which introduces an additional layer of costs for the investors. The private market is characterized by an uneven distribution of information, individual asset characteristics, high barriers to entry (high investment minimums) and a significant role played by the agents and evaluators. As a result, private real estate markets are considered largely illiquid.

3. Crowdfunding Platforms

While crowdfunding platforms have certainly made their mark on the real estate industry, they're ultimately a product of legislative change (JOBS Act) rather than technological innovation. Ultimately, there has not been any paradigm shift in investment transparency, liquidity, payment fees and the security of the organization. In other words, the improvement in the marketplace has been more of an incremental one rather than a fundamental one.



04

Solution

By leveraging blockchain technology, RealBlocks seeks to play a role in evolving investment experiences for sponsors and investors. We intend to create access to capital traditionally inaccessible for sponsors and provide a self-service platform for investors to buy and trade tokenized interest in private markets.

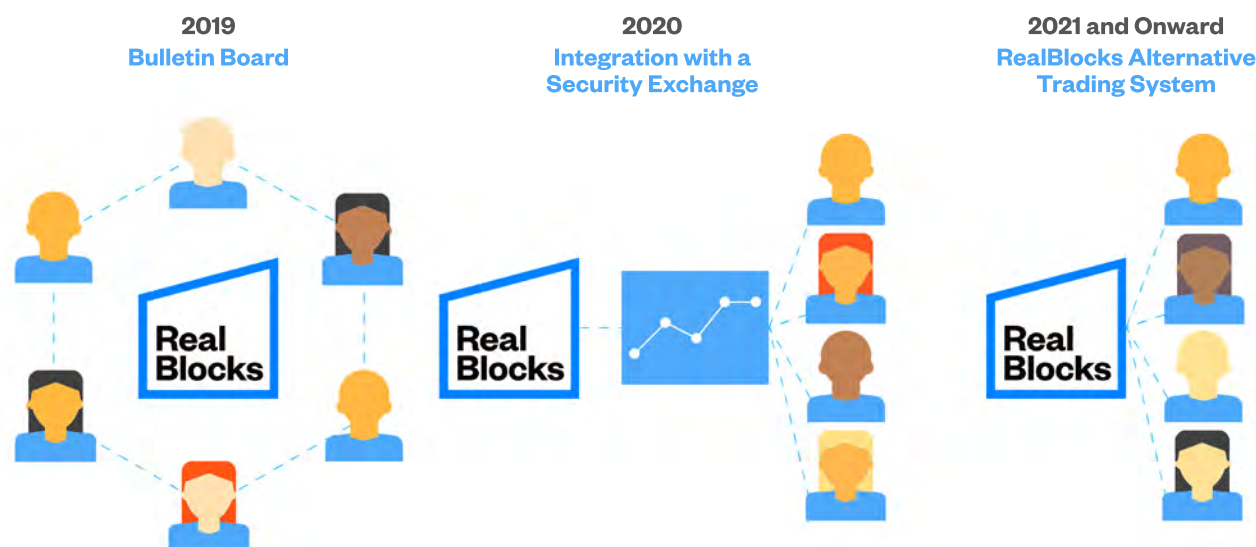
We expect a typical offering on our RealBlocks platform will consist of a GP-LP structure. We intend to work with sponsors to generate an issuer Special Purpose Vehicle (“SPV”) which will hold the title to each real estate asset in the portfolio and issue tokens equivalent to the amount of the total portfolio value. The sponsor would act as a GP for this SPV and would own a certain percentage of the tokens. The LP interest of the SPV would be tokenized and distributed to investors. As a result, investors would be purchasing LP interests of the entity which owns the underlying real estate asset.

1. Liquidity

As discussed previously, we believe real estate represents a relatively illiquid asset with potential for an increase in market depth pending accessible liquidity. By leveraging blockchain technology to tokenize real estate and allow for peer-to-peer trading, we believe global liquidity via a secondary market can become a reality for traditionally illiquid real estate assets.

Some additional potential advantages include deeper access to global pools of capital, fractional ownership, improved transactions through automated compliance and removal of friction points, making the process more secure and efficient.

FIGURE 6: Roadmap for getting liquidity on RealBlocks



2. Global Access

RealBlocks is seeking to allow for individuals to directly send/receive capital and ownership rights to/from investors in various locations around the world, and we are currently investigating the applicable regulatory requirements of various jurisdictions to enable such a capability. We believe such capability would open a new door for sponsors to raise capital and investors to acquire institutional deal flow in a more transparent environment. In addition, we believe allowing cryptocurrency holders to participate in real estate investments may provide billions of additional dollars of investment capital for issuers. We believe the positive implications for the real estate industry on a global scale would be significant. We believe avoiding complicated processes and friction points would make the investment process much more efficient, especially for international investors.

3. Fund Compliance

We are designing our platform with the goal of allowing tokens to be issued in a regulatory compliant fashion to investors from day 1. Initially we intend to partner with an SEC-registered broker-dealer to enable compliant sales of these security tokens to investors located in the United States, with a longer-term goal to become an SEC-registered broker dealer ourselves and enter into similar partnerships, or obtain similar registrations, as needed, to enable regulatory compliant sales of security tokens to investors located in certain other jurisdictions as well. Our smart contracts will be designed to confirm applicable regulatory guidelines have been met on every trade using rule sets that automate traditional manual checks. Our solution extends outside of our platform as well. For example, a token will not be able to leave a user's wallet if our system doesn't recognize the recipient's wallet. We also intend to streamline various processes, such as disbursements with smart contracts, with the goal of allowing greater control and visibility into funds at a fraction of the traditional cost.

Blockchain Transparency

A major benefit of blockchain's verification system exists due to the transparency of the distributed ledger, which is visibly accessible to everyone. Blockchain ensures the validity of information recorded as well as traceability, since information can be tracked on the shared, trustless network. The movement of tokens (and value/ownership they represent) exists on blockchain's immutable ledger, allowing investors to track transaction history and prevent fraud.

Financial Transparency

We expect the Sponsor/GP will publish the financials and performance of the underlying assets at regular intervals specific to the offering. To foster growth and accountability in the ecosystem, the RealBlocks team plans to hold all funds for investments in escrow until the close of each transaction. If an offering does not close, all funds collected will be returned to their respective investors.



● Solution Recap

FIGURE 7: Recap of RealBlocks' Solution

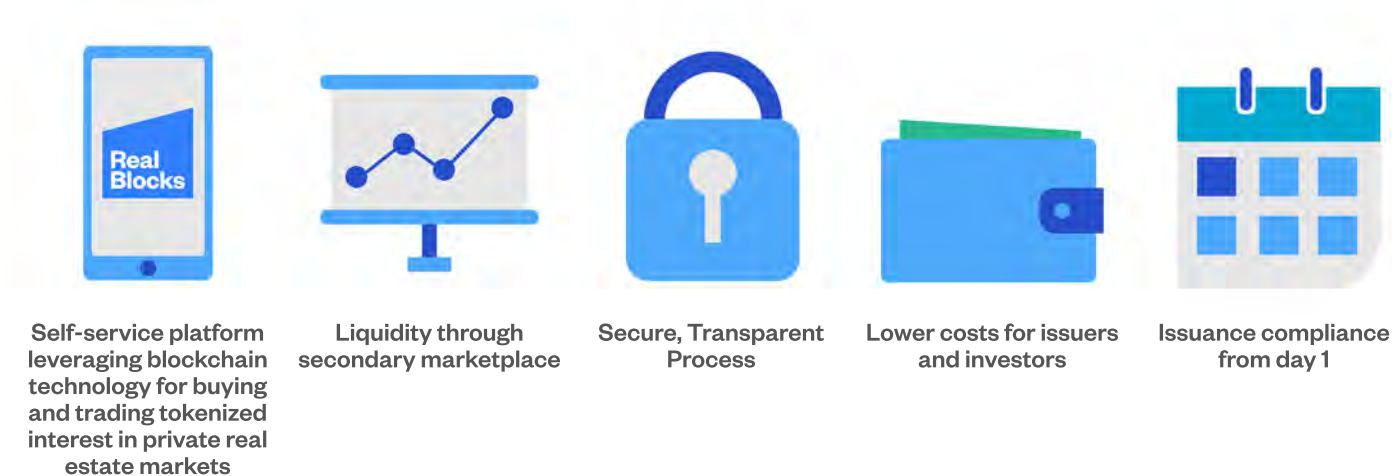


FIGURE 8: Comparison between different available models and RealBlocks Approach

| | Crowdfunding Platforms | Non-Traded REITs | Private Equity | |
|--|------------------------|------------------|----------------|---|
| Blockchain-enabled | ✗ | ✗ | ✗ | ✓ |
| Secondary Market | ✗ | ✗ | ✗ | ✓ |
| Correlation with Other Asset Classes\Investments | ↓ | ↑ | ↓ | ↓ |
| Costs to Investors | ↑ | ↑ | ↑ | ↓ |
| Cost to Sponsors | ↑ | ↑ | ↑ | ↓ |
| Transparency | ↑ | ↓ | ↓ | ↑ |
| Ability to Invest in an asset | ✓ | ✗ | ✗ | ✓ |

✓ - contains feature

✗ - does not contain feature

↑ - Higher

↓ - Lower

05

RealBlocks Platform

**GLOBAL ACCESS.
INSTITUTIONAL
REAL ESTATE.
INSTANT LIQUIDITY**

Our Blockchain platform allows Real Estate sponsors to seamlessly raise capital from investors worldwide.

BECOME AN INVESTOR

RealBlocks is creating a platform aimed at allowing for turnkey creation and issuance of fully compliant security tokens. The platform is built on a containerized microservices architecture that integrates web3 features into the purchasing and issuance processes. Each deal brought onto the platform will have its own terms and restrictions applied, and we plan to eventually include a plethora of options for entities looking to issue tokens.

The RealBlocks platform is designed to enable:

● Investor Accreditation

Purchasers in the United States must be “accredited investors” (as defined in Rule 501 of Regulation D of the Securities Act). RealBlocks will require potential purchasers from the United States to provide the necessary information to verify the accreditation status of such purchasers. International accreditation procedures will be specific to each jurisdiction and will be compliant with such jurisdiction's applicable laws.

● KYC/AML Checks

RealBlocks will obtain the necessary information to ensure that purchasers of security tokens are adhering to applicable KYC/AML guidelines.

● Cryptocurrency and Fiat Support

The RealBlocks platform will be designed to allow users to purchase securities with Bitcoin, Ether, or fiat (via bank account integration or wire transfer). As the platform grows we intend to add additional cryptocurrency and fiat payment options. We expect that funds transferred through our platform will go directly to the fund for capital deployment. All transactions on the backend will happen in USD fiat, therefore the issuer will always receive USD unless otherwise requested.

● Smart Contracts

We expect to design crowdsale and token smart contracts in-house and then deploy such smart contracts to the specifications of each issuance. Once an offering on our platform closes, we would then issue tokens to the wallet each user has whitelisted. We expect to continually automate this process as more deals occur on our platform and add additional features, such as the option for disbursements via smart contract.

● Investment Marketplace

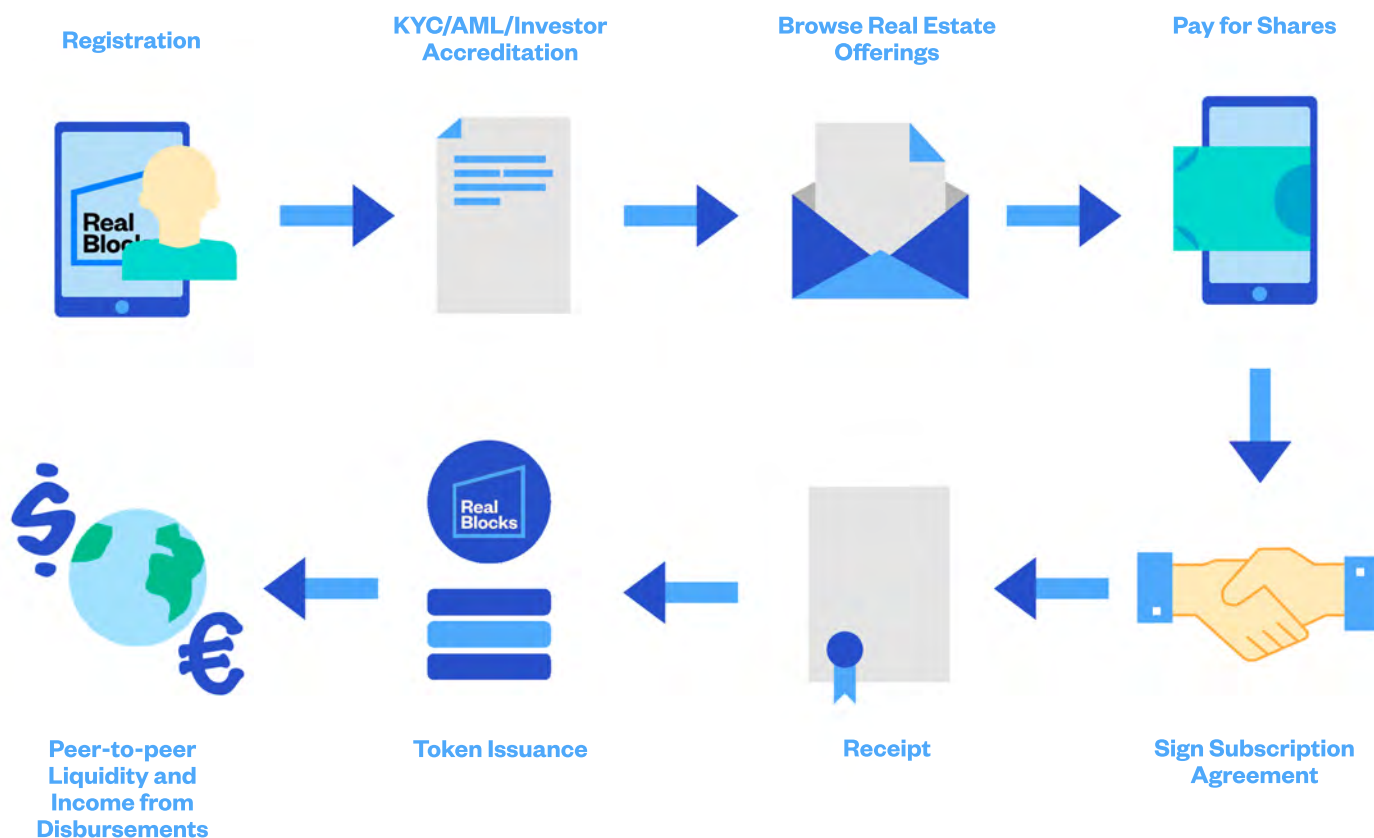
We expect our RealBlocks platform will showcase deals it onboards to various investors who have signed up for the platform. Users will be able to shop, research, and invest in new deals. Users will be able to track their portfolio as well, and have access to their verified purchases on the Ethereum blockchain.

● Bulletin Board

We are designing the bulletin board to allow investors to trade their ownership in a secure, anonymous, and peer-to-peer fashion. We believe users acquiring interest real estate on the RealBlocks platform can benefit from our solution by being able to sell their tokens more immediately than traditional private markets allow.

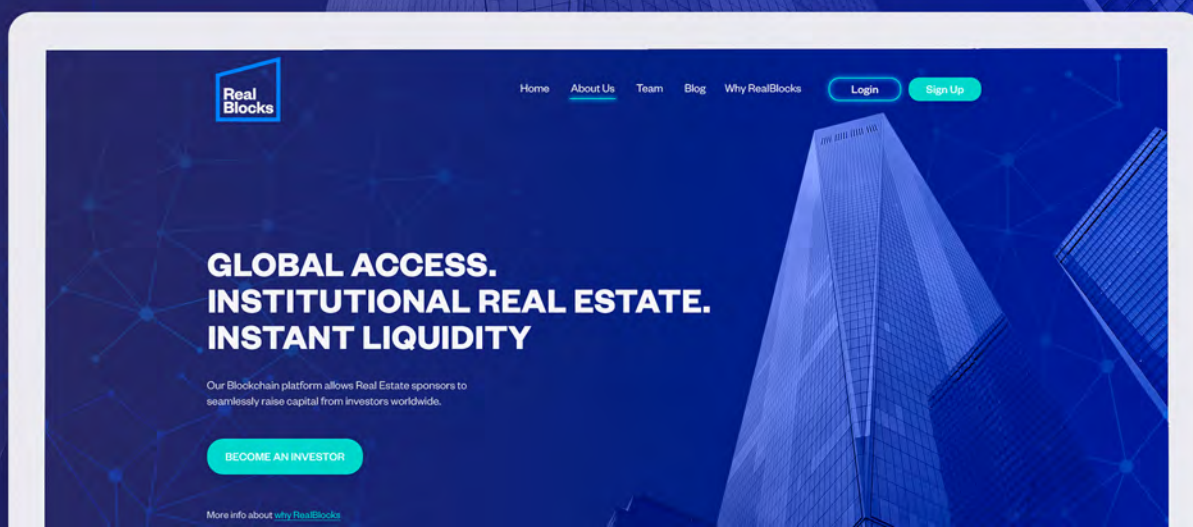
● Investor Journey

FIGURE 9 - User Journey



Our RealBlocks platform aims to make the user experience for both issuers and investors as intuitive as possible. With the only noticeable difference being the transaction of tokens, which will represent equity interests in real estate assets, we believe users will find the platform easy to use. Through the issuance of security tokens backed by real estate assets* on our platform, we believe we will be able to provide global access and liquidity for issuers and investors alike.

* We expect these will not fluctuate significantly with the cryptocurrency market or stock market, as the underlying interest is in a real estate asset.



06

Offering Specific Token

(Security Token Offering of Institutional Quality Real Estate)

● Tokens Backed by Real Estate Assets

We believe investments in real estate are attractive because they deliver robust cash flows, provide competitive returns compared to other asset classes, act as a hedge against inflation, and help in diversifying a portfolio with fewer correlations.

We believe tokens backed by real estate assets incorporate the advantages above in addition to the added benefits of liquidity. Moreover, instead of speculative pricing of the utility tokens in the market, we expect the token prices of tokens offered through our platform to reflect the value of the underlying real estate assets themselves.

● Pricing/Valuation

As mentioned earlier, unlike the speculative pricing of utility tokens, we believe security tokens backed by real estate assets will be valued based on their underlying assets. Real estate, just like other income generating asset classes, is valued based on its potential to produce income and long-term price appreciation. Valuation of the real estate portfolio is undertaken at the issuer level at the time of onboarding these assets on our RealBlocks platform. Subsequently, a broker-dealer is responsible for underwriting the assets in question. This process is designed to ensure that deals are thoroughly vetted before they are onboarded. We expect the token price will vary for each offering as a direct function of the amount of the capital an issuer seeks to raise.

Once an offering has been subscribed on our platform, the tokens would be traded at the market-determined price on the RealBlocks peer-to-peer exchange. However, as these tokens denote an ownership interest in income-producing real assets, we expect their value to be stable and correlated with the Net Asset Value ("NAV") of the underlying portfolio. We expect investors will receive quarterly updates on the NAV, asset performance, cash flow, vacancy and other related metrics.

● Compliance

We expect the LP interests in offerings consummated on our platform will be fulfilled by multiple feeder offerings, each designed to comply with applicable United States securities laws. These feeder offerings can be specific to, and categorized by, accredited investors in the United States, qualified purchasers and investors outside the United States.

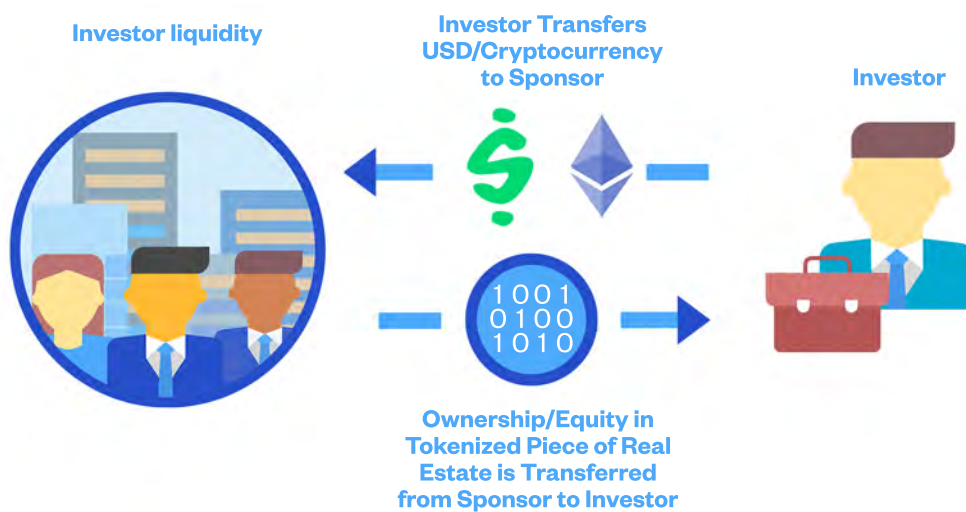
The Token architecture will be designed to ensure that the trading and transfer restrictions applicable under various applicable securities laws are enforced, ensuring compliance from day 1.

● Transaction Privacy

One of the biggest drawbacks with using cryptocurrency remains the public nature of transactions. Exposing large transactions on a public blockchain can create many adverse effects such as front-running, price slippage, and general discovery of a user's assets. To prevent this, RealBlocks has developed a peer-to-peer trading mechanism that fully encrypts both balances of wallets and transactions details on the blockchain. This will allow users to exchange shares with users across the world without compromising their sensitive information, all while automatically adhering to security regulations.

● Token Flow

FIGURE 10 - Marketplace Exchange



*Sponsor will always receive USD

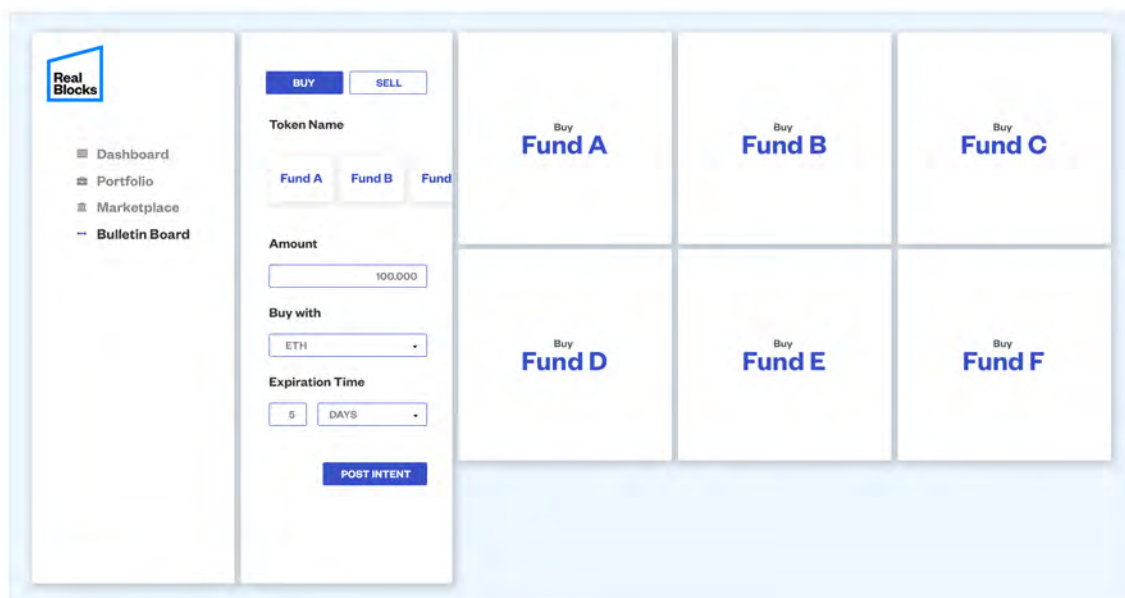
● Investor Liquidity

Our RealBlocks platform will be designed to allow investors to liquidate their positions by trading their holdings peer-to-peer on our platform. Once our platform is fully integrated with a security token exchange, we expect liquidity options for investors will increase even further.

FIGURE 11: Investor Liquidity



FIGURE 12: RealBlocks Bulletin Board



To provide a secure and easy way for investors to get liquidity on their investments, RealBlocks has created a bulletin board system in their platform. This board will allow investors to trade their ownership in a secure, anonymous, and peer-to-peer fashion. Users will be able to list intents to either buy or sell shares of offerings and negotiate with other parties using a fully encrypted chat. Trades are then ran through the RealBlocks registry to ensure compliance, and once approved the shares are exchanged between parties. We ultimately plan to partner with securities exchange to allow for even greater pools of qualified liquidity.

Revenue Streams & Cost Structure

● Transaction Commission

A one-time commission fee will be charged to the sponsor on the amount of capital raised on our platform.

● Platform/Technology Fee

Once RealBlocks becomes an SEC-registered broker-dealer, we expect to charge a small annual platform fee to investors and issuers, in each case based on a percentage of the total holding or offerings, as applicable, consummated on our RealBlocks platform. Initially, all such fees will be collected by an SEC-registered broker-deal partner.

● Liquidity Fee

We will be charging a small fee associated with investor liquidity options on the RealBlocks platform.













07 Technology

● Tech Stack

RealBlocks aims to create a robust DAPP built on the Ethereum blockchain by using a decentralized compliance protocol to trade crypto-securities on the blockchain. These crypto-securities will be designed to be compliant with relevant securities regulations.

FIGURE 13: Tech Stack

| | |
|---|--|
|  | React: front-end code |
|  | Apache / Laravel: server/back-end framework (main portal) |
|  | Node.js / Express: server/database communication libraries (microservices) |
|  | Solidity: programming language for smart contracts |
|  | Truffle: framework for smart contract deployment |
|  | Infura: ethereum client hosting |
|  | OpenZeppelin: ERC20 token standard |
|  | R-Token: security token compliance standard |
|  | Web3: front-end access to ethereum nodes |
|  | Metamask: wallet integration |

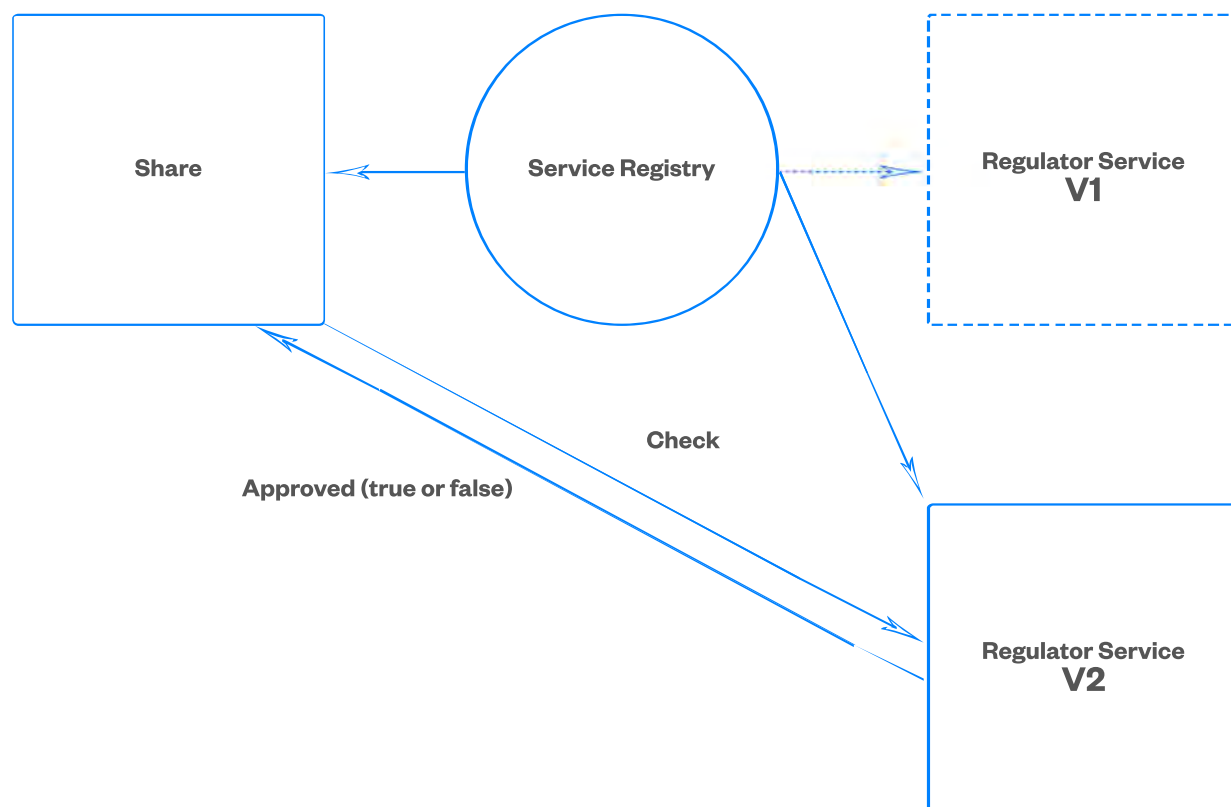
● Smart Contracts

There are three relevant contracts that are designed to work together to provide a compliant crypto-security:

1. A RealBlocksToken contract: Maintains a list of Ethereum wallet addresses with how many tokens belong to each wallet address.
2. A Regulator Service contract: Verifies that trading of the shares only takes place between accredited investors. Additional rules can be added to this contract (for example, a rule for constraints on the number of token holders across regulation exemption status).
3. A Service Registry contract: This contract can update the "Regulator Service contract" if it needs to change in the future.



FIGURE 14: Smart Contracts



Blockchain

In this section, we provide insight into how we are using the blockchain, as demonstrated through a hypothetical user interaction.

(Note: Terms in “quotes” are linked directly to Figure 15)

Step 1) Buying a token

After a user has been approved to browse the RealBlocks platform they are able to buy shares using Fiat or Cryptocurrency. Once they have bought shares in an open offering we add that user's wallet to a whitelist for the offering. This whitelist contains how many shares they will receive and gives them the right to trade with other users on the whitelist.

Step 2) Receiving a token

When tokens are issued, **User 1's** Ethereum wallet address gets added to the list of token holders on the “RealBlocksToken” smart contract and thus written into the Ethereum blockchain. There is a verification written

Step 3) Trading a token

If **User 1** wants to trade their token to **User 2** (Ethereum wallet address 0x456), they will initiate a trade through the “RealBlocksToken” contract. Before this trade can be executed, “RealBlocksToken” contract verifies with the “RegulatorService” contract that **User 2** is an approved token holder. This checking process is written into the smart contract (i.e. the user does not initiate the check, it happens automatically). The “RegulatorService” is maintained by RealBlocks - meaning it is up to RealBlocks to verify that the user is an approved token holder, and it is up to RealBlocks to add users to the whitelist. As with the “RealBlocksToken” contract, there is a verification written into the “RegulatorService” smart contract which excludes any wallet address beside the original contract deployer from performing this action.

Step 4) After the trade

When the trade successfully completes, the “RealBlocksToken” contract will update the list of token holders (0x123 now owns 0, 0x456 now owns 100), performing this action.

FIGURE 15: Token Issuance and Transfer

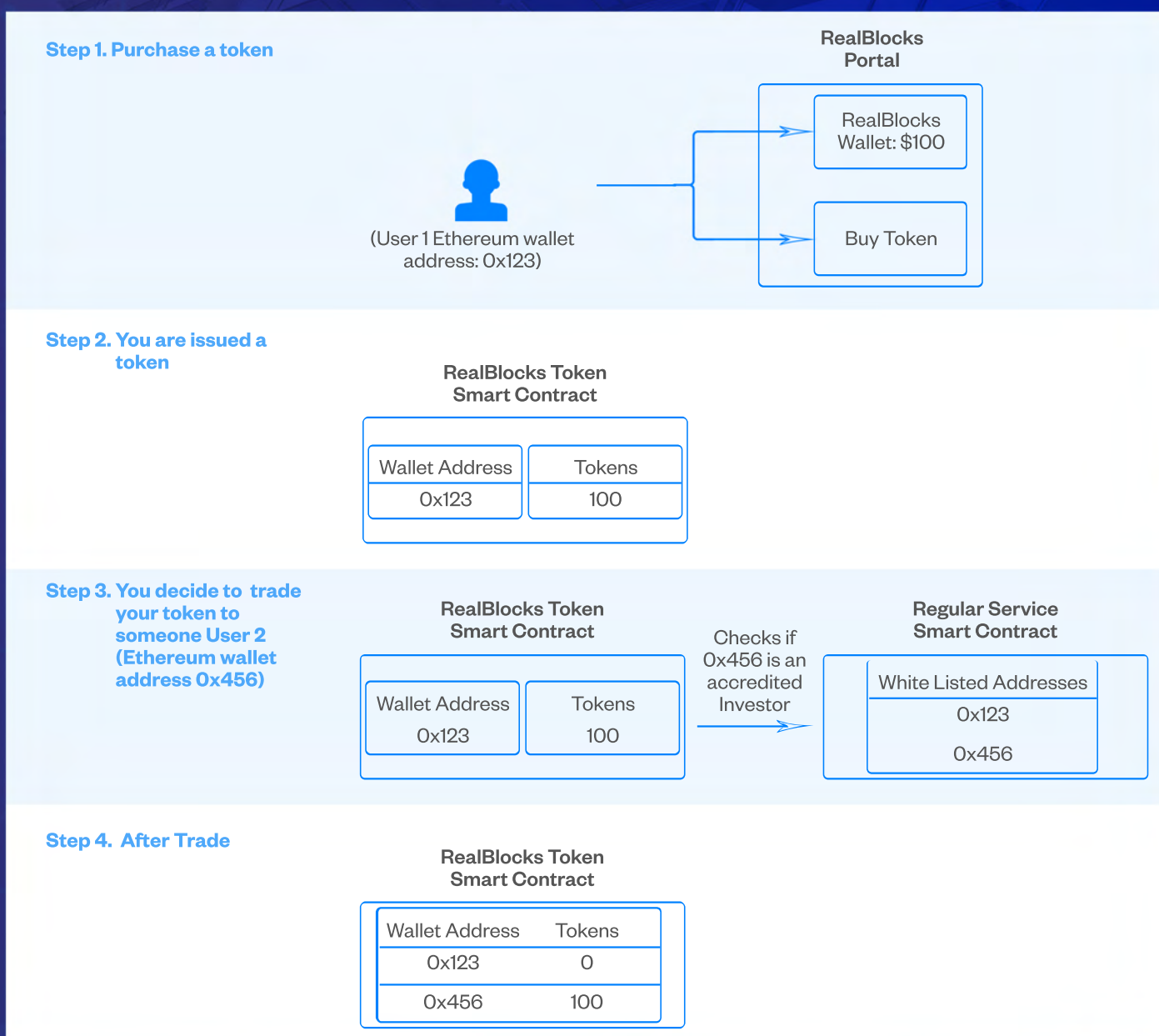
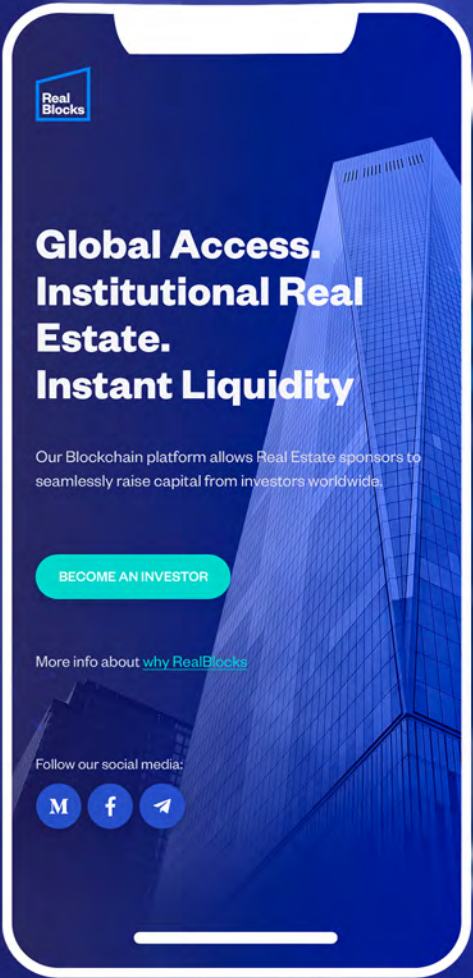
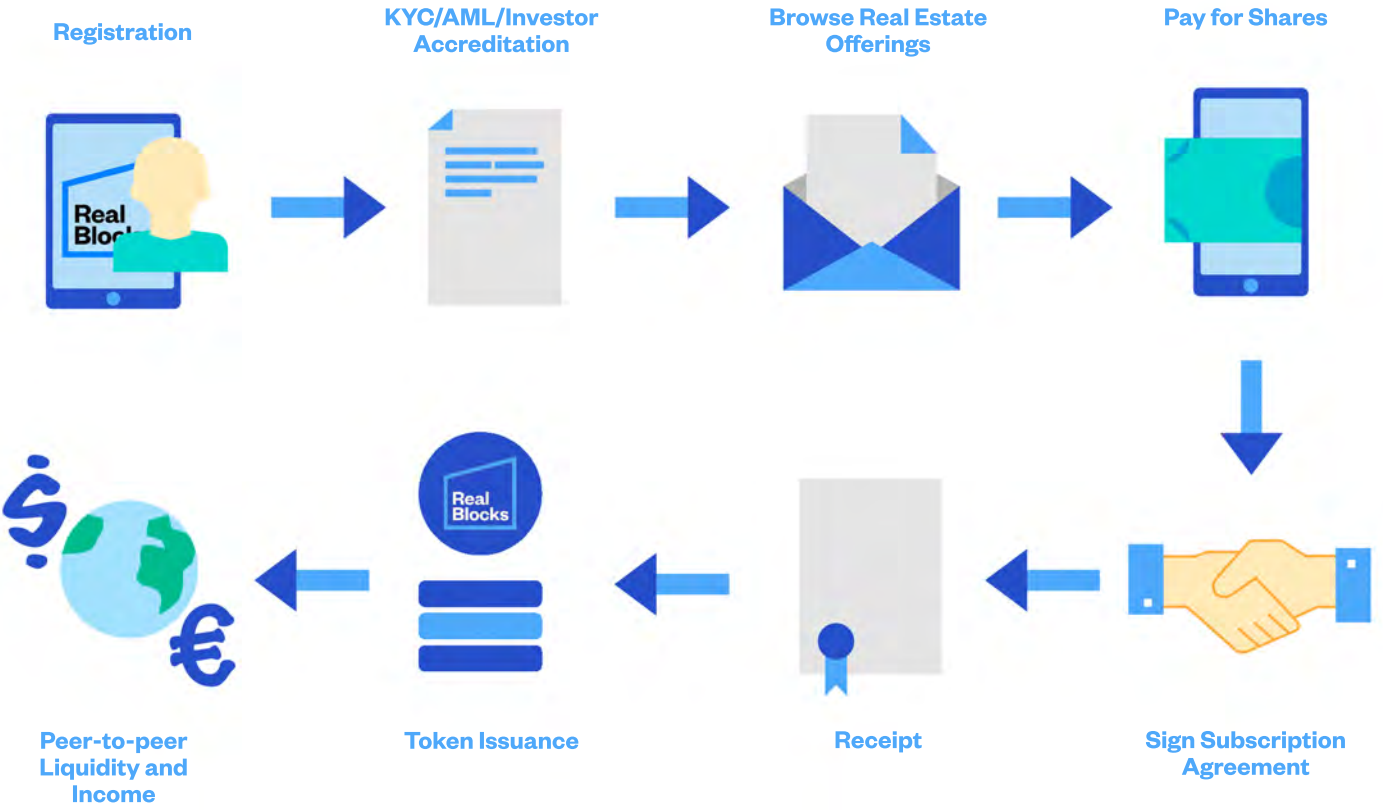




Figure 17: Investor Journey



08

Vision

Our RealBlocks platform is designed to provide a blockchain solution for investing. As our platform grows, we believe it will have a lasting impact on the real estate industry. Through our three-phase approach, we detail our mindset in seeking to achieve this reality.

Phases

● Phase 1

In Phase 1 of our business model, we will focus on launching our informational site, securing partners and facilitating transactions on our platform. We will seek to automate the real estate investment process through the issuance of tokenized securities representing ownership of real estate assets. On the supply side will be issuers, who will leverage the platform to tokenize private placements and raise capital, which we believe is the most valid use case for blockchain. These security tokens will be compliant with the relevant securities regulations from day 1, saving issuers time and money. On the demand side, investors will be able to purchase fractional ownership, with cryptocurrency or USD, of these tokenized private placements. Such fractional interest in a portfolio will provide additional flexibility to investors in diversifying their real estate exposure. Investors will be able to experience liquidity by trading interest peer-to-peer via a bulletin board. The portfolio-specific smart contracts will execute all transactions, ensuring a secure and transparent process.

● Phase 2

In Phase 2 of our business model, we will focus on expanding into other asset classes, seeking to enable investors to place capital into self-directed portfolios that are tailored to their goals and risk profiles. In addition, we intend to incorporate the use of a decentralized compliance protocol to enable trading of security tokens on the blockchain.

● Phase 3

In Phase 3 of our business model, we will focus on unlocking liquidity in the real estate industry on a global scale. We believe this will be the final step in democratizing access to real estate. Henceforth, we expect people all around the world will be able to participate in buying/selling fractional (or entire) ownership of real estate on the RealBlocks platform.

FIGURE 18 - RealBlocks Roadmap

While our initial focus is on executing Phases 1 and 2, our team believes that the underlying platform and tokenized system of fractional ownership has many applications beyond those of real estate. As our organization grows, we expect to bring best-in-class investments from additional markets to token holders, extending the value proposition of our organization and its investors.

The capital raising infrastructure we expect to provide on our RealBlocks platforms will be designed to be highly flexible and not limited to specific types of offerings. We expect our platform can be used for different real estate asset classes, such as residential, commercial, industrial, hospitality, and mixed use. We expect it can be used in efficiently raising capital for developing, as well as stabilized, properties or a portfolio of properties. Further, our platform would be designed to enable the sponsors of offerings on our platform to tokenize debt, mezzanine or equity portions of capital stock.

Through the successful execution of our three-phase approach, we believe that we will be able to positively evolve the real estate industry.

09

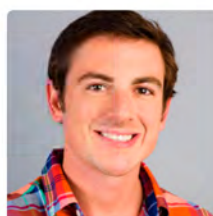
Founding Team & Advisors



Perrin Quarshie

Founder & CEO

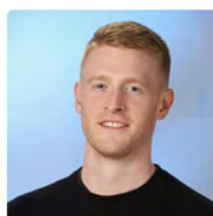
Perrin Quarshie is the Founder & CEO of RealBlocks, a real estate capital markets platform built on the Ethereum blockchain. RealBlocks provides global access and liquidity to investors in non-traded REITs and private funds focused on Real Estate. Perrin began his career as an engineer and completed several real estate development and M&A projects in the energy sectors before heading to MIT, where he did research on the implications of Blockchain for real estate development and smart cities. While at MIT, Perrin also worked at Barclays as an associate in Real Estate Investment Banking Division where he conducted M&A Transactions for various REITs. Perrin and the team have garnered some great traction and are about to launch with a strong dealbook that includes offerings some of the largest real estate sponsors in the United States.



Matthew Grierson

COO, Product

Matt is a product management veteran with extensive experience in emergent technology. Prior to RealBlocks, Matt led engineering teams building new-age software for law enforcement, as well as analytic & insight products for Fortune 500 brands and prominent technology startups. His specialties include cryptocurrency, data science, machine learning, and SaaS platforms.



Colin Sheppard

VP of Engineering

Colin is a full stack software engineer with expertise in building dynamic web application. Prior to RealBlocks, Colin was a lead engineer developing backend services for Aeris Communications, a Silicon Valley based IOT company. At Aeris, Colin developed software in a microservice architecture for applications that allowed users to access cellular connectivity across CDMA, GSM, and LTE networks on their smart devices. Colin holds a degree in Computer Engineering from the University of Illinois at Chicago.



Naman Srivastava

VP of Finance & Business Development

Naman has a background in Real Estate Development, Finance, and Tech. He graduated from Harvard University's real estate program where he explored blockchain business opportunities in real estate. In 2016, he co-authored a book on establishing sustainable enterprises in affordable housing. Before that, he worked for a Middle East based real estate consultancy on residential, commercial and hospitality projects in Asia and Africa.



Matt Jago

Marketing Manager

Matt is a creative digital marketer with expertise in social media marketing, analytics, web management, and content creation designed to sell products and services. Before joining RealBlocks, he helped brands in the financial services sector, including Fortune 500 company BNY Mellon, grow their audiences, develop their voices and tell their stories in exciting and innovative ways. Matt graduated from Boston College with a degree in Communications.



Roderick Gill

Analyst

Roderick has a background in Real Estate Tech, Investment Analysis and Finance. Prior to RealBlocks, he worked for Ten-X, an online commercial real estate transaction platform, where he oversaw deal management of 50+ assets. During his time in college, he worked for a top real estate brokerage in New York City and the Federal Reserve Bank of Atlanta. Roderick graduated from the University of Georgia with degrees in Finance and Real Estate.

Advisors

Chuck Nelsen

Former Director, New Product Development, Equity Capital Markets, Merrill Lynch

Chuck is a former Director of New Product Development, Equity Capital Markets at Merrill Lynch. While at Merrill Lynch he covered numerous verticals including: OTC Corporate & High Net Worth Equity Derivatives, ECM Equity-Linked Financing, ECM, Equities Prime Broker, Large Ticket Margin Loans, Corporate Treasury Compensation Hedging and Tax Legislation Analysis. In addition to this, as part of the Product Development he was focused on Instrument C & X Converts, Convert & Call Spread Transactions, Equity Neutral Converts, VWAP based ASR Accelerable share repurchase programs, Correlation Equity Compensation Hedging Programs, Convert + Upper Warrants, Equity Commercial Paper CP Conduits, and Vanishing Derivative Cross holding Sales Programs.

Joe Stecher

Founder and CEO, Candlewood Investors

Joe is a renowned real estate technology leader and an expert in all areas of capital markets and real estate investing globally. In 2012, Joe launched Candlewood Investors to raise capital for investment sponsors and advise investors. He previously founded the real estate fund of funds businesses at Morgan Stanley and Goldman Sachs. Additionally, he has committed \$5 billion (equity) to investments in the US, Europe, Asia, and Latin America.

Nav Athwal

Founding Member, Technology and Real Estate Council (TREC)

Nav has over a decade of experience in real estate and technology as an engineer, real estate broker, real estate and land use attorney and real estate investor. He founded RealtyShares and was CEO for 4 years. Currently is co-managing an opportunistic real estate fund focused on buying improved lots and building homes in Sonoma County post the Tubbs fire that destroyed over 4,000 homes in the County.

Stefan Martinovic

Vice President of Investments, Midwood Investment & Development

Stefan is a seasoned innovator with domain expertise in technology, real estate, economic development, and investment management. A builder of companies, buildings and processes, Stefan is able to rapidly dissect complex challenges while leading teams that formulate creative solutions across digital, built and urban environments.

Blake Cohen

Co-Founder, SALT Lending

Blake heads Salt Lending's Business Development. Working for Signet Partners for the last five years, Cohen has worked extensively in emerging markets and in reviewing and producing contracts.

Christopher Fraley

CIO, RealtyMogul

Chris Fraley is the Chief Investment Officer of RealtyMogul. Chris also recently started Evolve, a real estate investment company focused on capturing the premium associated with the evolution of mixed-use environments. He was a Partner and Head of Research at Rockwood Capital LLC. Mr. Fraley worked with the acquisition and portfolio management teams to identify trends at Rockwood Capital. He served as Director of various programs within New York City Department of Housing Preservation and Development.

Bill Staniford

Chief Innovation Officer, Compound

Bill was previously CEO of PropertyShark, New York City's first real estate data technology platform, which was acquired by Yardi Systems in 2010. During his tenure as CEO, PropertyShark was named one of the 50 best websites in the world by Time, Inc. He has been featured on CNBC, Fox Business News and in countless industry publications and is widely considered an industry expert on the commercialization and implementation of real estate data and technology. He hosts a weekly radio show on 930 am about real estate technology. He began his career as a cryptologist in the US Marine Corps, cracking codes for the US military.

Fanny Zha

Managing Dir. Intl, Ground Matrix

Fanny is a Managing Director of the International Group at Ground Matrix, where she focuses on providing a suite of investment banking, private equity and capital markets solutions for a diverse range of domestic international clients.

Antoine Gendre

Founder, Ameristar Group

Antoine is owner and founder of Ameristar Group where he represents the interest of independent investors through Real Estate solutions and complete brokerage and property management services through South Florida and Michigan markets.

Alex Benke

VP, Advice & Investment, Betterment

Alex help define the strategy and vision for Betterment's financial planning and investment advice offerings. He is also responsible for the Investment Committee managing Betterment's multi-billion dollar portfolio.

Disclaimer

Any digital tokens (including any RealBlocksToken (as defined above), and collectively the “Tokens”) issued by, or hosted on the platform of, Envexergy, Inc. (d/b/a Realblocks) (the “Company” or “RealBlocks”) may be a suitable investment only for those investors who are able to understand the unique nature and risks of the Company, the offering made in connection with such Tokens, and digital tokens and cryptocurrency exchanges. Losses may occur and investors may lose the full value of their investment.

There can be no assurance that the Company will ever issue Tokens and Tokens, if issued, will be subject to extensive legal and contractual transfer restrictions to comply with our regulatory obligations. If Tokens are not issued, investors will not receive any refund or return of their investment. If Tokens are issued, investors may never receive any benefit from holding the Tokens. Token holders are not entitled to any utility from the Token. A legally compliant trading market for the Tokens may never be developed and peer-to-peer transfers of Tokens will not be permitted unless and until Token holders are notified otherwise by the Company, which may require holders to hold their Tokens indefinitely.

The Tokens have not been, and will not be, registered under the Securities Act of 1933, as amended (the “Securities Act”) and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirement of the Securities Act. Accordingly, any Tokens are being offered and sold only (1) to “accredited investors” (as defined in Rule 501 of Regulation D under the Securities Act) in compliance with Rule 506(c) of Regulation D under the Securities Act and (2) in offshore transactions to persons other than “U.S. persons” (as defined in Regulation S under the Securities Act) in reliance upon Regulation S under the Securities Act.

None of the Securities and Exchange Commission (the “SEC”), any state securities commission, any foreign securities authority or any other federal, state or foreign regulatory authority has approved or disapproved of the Tokens or determined if this Whitepaper is truthful or complete. Any representation to the contrary is unlawful and may be a criminal offense. This Whitepaper does not constitute an offer to sell, or a solicitation of an offer to buy, Tokens in any jurisdiction in which it is unlawful to make such an offer or solicitation.

No action has been taken in any jurisdiction to permit a public offering of the Tokens.

Investing in the Token involves a high degree of risk, volatility, and illiquidity. Any investor should carefully consider the risks summarized under “Risk Factors” of this Whitepaper for a discussion of important factors they should consider before purchasing Tokens.

Investors should make their own investigations and evaluations of the Tokens, including the merits and risks involved in an investment therein. Investors should inform themselves as to the legal requirements applicable to them in respect of the acquisition, holding and disposition of Tokens upon their delivery, and as to the income and other tax consequences to them of such acquisition, holding and disposition.

Certain statements in this Whitepaper constitute forward-looking statements. When used in this Whitepaper, the words “may,” “will,” “should,” “project,” “anticipate,” “believe,” “estimate,” “intend,” “expect,” “continue,” and similar expressions or the negatives thereof are generally intended to identify forward-looking statements. Such forward-looking statements, including the intended actions and performance objectives of the Company, involve known and unknown risks, uncertainties, and other important factors that could cause the actual results, performance, or achievements of the Company and the Tokens to differ materially from any future results, performance, or achievements expressed or implied by such forward-looking statements.

No representation or warranty is made as to future performance or such forward-looking statements. All forward-looking statements in this Whitepaper speak only as of the date hereof. The Company expressly disclaims any obligation or undertaking to disseminate any updates or revisions to any forward-looking statement contained herein to reflect any change in its expectation with regard thereto or any change in events, conditions, or circumstances on which any such statement is based.

Prospective investors are not to construe this Whitepaper as investment, legal, tax, regulatory, financial, accounting or other advice, and this Whitepaper is not intended to provide the sole basis for any evaluation of an investment in the Tokens or the Company. Prior to acquiring Tokens, prospective investors should consult with their own legal, investment, tax, accounting, and other advisors to determine the potential benefits, burdens, and other consequences of such investment.

Risk Factors

Any investment in RealBlocks and any offering hosted on our RealBlocks platform (an “Offering”), or any Tokens or other digital tokens offered on our RealBlocks platform (collectively, the “Securities”), involves a high degree of risk. You should consider carefully the risks described below, together with all of the other information contained in this Whitepaper, any offering document memorializing your investment in the Securities, and the terms and restrictions of the Offering on our RealBlocks platform in which you are investing, before making an investment decision. The following risks entail circumstances under which the Company’s business, financial condition, results of operations and prospects could suffer.

Risks Related to an Investment in the Securities

There can be no assurance that the Tokens will ever be issued and, if the Company fails to issue Tokens, investors have no right to a refund of any portion of their investment.

While the Company intends to develop Tokens to be issued to holders of any equity instruments in the Company or pursuant to Offerings, there can be no assurance that it will do so. Should the Company fail to issue the Tokens or enable the issuance of Tokens, investors may not be entitled to any of the rights set forth in the terms and conditions of any of the Tokens or pursuant to the applicable Offering, and investors may have no right to receive a refund or any return of any portion of their investment. As a result, investors should only invest in any of the Securities if they are prepared to lose their entire investment.

At issuance, there will be no trading market for the Tokens, and a trading market may never develop.

If the Tokens are issued, there will be no trading market available for the Tokens. Peer-to-peer transfers will not be permitted unless and until Token holders are notified otherwise by the Company and informed of the requirements to and conditions do so. As a result of recent regulatory developments, conventional crypto exchanges are currently unwilling to list securities tokens, such as the Company’s Tokens. As a result, when the Tokens become transferable, they may only be traded on very limited range of venues, including U.S. registered exchanges or regulated alternative trading systems for which a Form ATS has been properly submitted to the SEC. Currently, the Company is unaware of any operational ATS or exchange capable of supporting secondary trading in the Tokens.

Moreover, even if legally permitted, by purchasing Tokens, Token holders agree to additional transfer restrictions and shall not be able to effect transfers until such time as the Company informs holders that a digital token exchange on which holders of Tokens may transfer or resell their Tokens (such a designated exchange and/or our RealBlocks platform, as the context may require, is referred to herein as a “Designated Exchange”) is available or that peer-to-peer transfer processes have been established. As a result, holders of Tokens should be prepared to hold their Tokens indefinitely. Moreover, even if the Tokens become transferable, we may rely on technology, including smart contracts, to implement certain restrictions on transferability in accordance with the federal securities laws. There can be no assurance that such technology will function properly, which could result in technological limitations on transferability and expose the Company to legal and regulatory issues.

The development of our RealBlocks platform implicates complex technological considerations and raises numerous legal and regulatory issues that will need to be addressed—likely, in consultation with the Company’s broker-dealer’s regulators. As a result of these technological, legal and regulatory considerations, the Company’s token trading systems may never be developed and, if developed, may, for a variety of technological, legal and regulatory reasons, never become operational. Furthermore, there can be no assurance that any security token exchange will be created by a third party that will allow the Tokens to trade in a manner permitted by the Company or at all.

In the event that the Tokens remain untradeable for a significant period of time or indefinitely, the value of the Tokens would be materially adversely affected.

Regulatory authorities may never permit our RealBlocks platform to become operational.

Assuming that the Company is able to develop its platform, numerous regulatory authorities, including FINRA and the SEC, may need to permit the platform to become operational. If FINRA, the SEC or any other regulatory authority objected to our RealBlocks platform or to aspects of our RealBlocks platform, such regulatory authorities could prevent our RealBlocks platform from ever becoming operational. The regulatory landscape that we expect to navigate in order to achieve an operational platform is complex, and RealBlocks may never be able to do so successfully. Any such regulatory issues would have a material adverse impact on our business.

Due to the unavailability of Rule 144 for resales of Tokens by affiliates of the Company, Company affiliates may elect not to acquire the Tokens.

Assuming that a Designated Exchange ever becomes available for trading of Tokens issued by the Company, the Company does not expect Rule 144 ever to be available for any resales of such Tokens by affiliates of the Company. As a result, affiliates of the Company may be unable to resell such Tokens unless the Company registers their sales. To make it easier for affiliates of the Company to publicly resell such Tokens, the Company may in the future consider registering such resales; however, such registration statement may not

become or remain effective and the Company has no obligation to register such Tokens. Furthermore, a seller under a registration statement may have liabilities that a seller under Rule 144 does not have. Any or all of these matters may cause affiliates of the Company to elect not to acquire such Tokens, which could depress the value of such Tokens.

The tax treatment of the Securities is uncertain and there may be adverse tax consequences for purchasers upon certain future events.

The tax characterization of the Securities is uncertain, and each purchaser must seek its own tax advice in connection with an investment in the Securities. An investment in the Securities may result in adverse tax consequences to purchasers, including withholding taxes, income taxes and tax reporting requirements. Each purchaser should consult with and must rely upon the advice of its own professional tax advisors with respect to the United States and non-U.S. tax treatment of an investment in the Securities.

The tax characterization of the Securities also affects the Company's tax liability in connection with any Offering. In addition, the accounting consequences are uncertain, and there is a possibility that the proceeds of any Offering might be treated as a liability rather than equity for accounting purposes, which would reduce the net book value of the Company (or any issuer hosted on the platform) compared to equity treatment, which would prevent the Company (or such issuer hosted on the platform) from making dividend payments until such time, if ever, that the Company's (or such issuer's) net book value increases to a positive amount at least greater than the aggregate amount of any proposed dividend.

The potential application of U.S. laws regarding investment securities to the Securities is unclear.

The Securities are novel and the application of U.S. federal and state securities laws is unclear in many respects. Because of the differences between the Securities and traditional investment securities, there is a risk that issues that might easily be resolved by existing law if traditional securities were involved may not be easily resolved for the Securities. In addition, because of the novel risks posed by the Securities, it is possible that securities regulators may interpret laws in a manner that adversely affects the value of the Securities. For example, if applicable securities laws restrict the ability for the Tokens to be transferred, this would have a material adverse effect on the value of the Securities. The occurrence of any such legal or regulatory issues or disputes, or uncertainty about the legal and regulatory framework applicable to the Securities, could have a material adverse effect on the holders of Securities.

If the Tokens ever become transferable, Token transactions may be irreversible, and, accordingly, losses due to fraudulent or accidental transactions may not be recoverable.

In the event that our RealBlocks platform is developed and becomes operational, or the Tokens become tradeable on another Designated Exchange or pursuant to permitted peer-to-peer transfers, transactions in the Tokens may be irreversible, and, accordingly, a purchaser of the Tokens may lose all of his or her investment in a variety of circumstances, including in connection with fraudulent or accidental transactions, technology failures or cyber-security breaches. If applicable, real-time settlement would further increase the risk that correction of trading errors may be impossible and losses due to fraudulent or accidental transactions may not be recoverable.

The nature of the Tokens means that any technological difficulties experienced by our RealBlocks platform, or any other Designated Exchange may prevent the access or use of a purchaser's Tokens.

Any Designated Exchange, including our RealBlocks platform, will be subject to the risk of technological difficulties that may impact trading of the Tokens, which include, without limitation, failures of any blockchain on which the Tokens or the Designated Exchange relies or the failure of smart contracts to function properly. Trading in the Tokens will depend on the operation and functionality of the applicable Designated Exchange and if such system were to fail for any reason, trading in the Tokens could be impossible until such failure was corrected and full functionality were restored and tested. Any such technological difficulties may prevent the access or use of the Tokens. This could have a material impact on the applicable Designated Exchange's ability to execute or settle trades of the Tokens, to maintain accurate records of the ownership of the Tokens and to comply with obligations relating to records of the ownership of the Tokens and could have a material adverse effect on the holders of the Tokens.

There is no assurance that purchasers of the Securities will receive a return on their investment.

The Securities are highly speculative and any return on an investment in the Securities is contingent upon numerous circumstances, many of which (including legal and regulatory conditions) are beyond the Company's control. There is no assurance that purchasers will realize any return on their investments or that their entire investments will not be lost. For this reason, each purchaser should carefully read this Whitepaper and should consult with their own attorney, financial and tax advisors prior to making any investment decision with respect to the Securities. Investors should only make an investment in the Securities if they are prepared to lose the entirety of such investment.

Holders of the Securities will generally not have voting rights and will generally have no ability to influence the decisions of the Company or the issuer on the platform, as applicable.

[Holders of the Securities may have no voting rights or other control over the operational aspects of the Company or the applicable issuer in an Offering except, with respect to the Tokens, those required by Delaware law.] As a result, except with respect to matters required to be submitted to Token holders under Delaware law, all matters submitted to stockholders of the Company, or the stockholders of the applicable issuer on the platform, will be decided by the vote of holders of the Company's capital stock (or the applicable stakeholders in respect of such Offering) entitled to vote thereon, which shall not include the Securities. As a result, holders of the Securities will have no ability to elect directors or, except with respect to matters required to be submitted to Token holders under Delaware law, to determine the outcome of any other matters submitted to a vote of the Company's (or issuer's) stockholders, or otherwise influence the Company and/or the issuer in an Offering. The interests of holders entitled to vote on such matters may differ from, or conflict with, the interests of Token holders.

¹⁴ NTD: Company to confirm.

The Securities may be subject to registration under the Exchange Act if the issuer has assets above \$10 million and more than 2,000 purchasers participate in the Offering, which would increase the issuer's costs and require substantial attention from management.

Companies with total assets above \$10 million and more than 2,000 holders of record of its equity securities, or 500 holders of record of its equity securities who are not accredited investors, at the end of their fiscal year must register that class of equity securities with the SEC under the Exchange Act. An issuer could trigger this requirement as a result of any Offering and be required to register the Tokens with the SEC under the Exchange Act, which would be a laborious and expensive process. Furthermore, if such registration takes place, the issuer will have materially higher compliance and reporting costs going forward.

Purchasers may lack information for monitoring their investment.

The Securities do not have any information rights attached to them (other than certain rights to issuer information afforded Token holders under Delaware law), and purchasers may not be able to obtain all the information they would want regarding the Company, any applicable issuer on the platform, or the Securities. In particular, investors may not be able to receive information regarding the financial performance of the Company, any applicable issuer on the platform, or of the assets underlying any Offering, including with respect to the ability of the Company and/or an applicable issuer on the platform to pay dividends. The Company is not currently registered with the SEC and currently has no periodic reporting requirements. Potential issuers on our RealBlocks platform may not be registered with the SEC and may have no periodic reporting requirements. As a result of these difficulties, as well as other uncertainties, a purchaser may not have accurate or accessible information about the Company, the applicable issuer on our platform, or the Securities.

The Securities have no history.

The Securities will be newly formed and have no operating history and are entirely novel in type. Investors will not be able to compare them against other like instruments. An investment in the Securities should be evaluated on the basis of the value and prospects of the Tokens, taking into account uncertainties as to the likelihood that the Tokens will be issued, and of the assessment of the prospects of the Company's business may not prove accurate, and the Company, or the applicable issuer on our platform, may not achieve its objectives. Past performance of the Company, the applicable issuer on our platform or any similar token or equity instrument issued by other companies, is not predictive of future results of the Company or the applicable issuer on our platform, the value and success of the Securities or any Offering on our RealBlocks platform, or the ability of the Company or any issuer on the platform to ever pay dividends.

The Company does not expect there to be any market makers to develop a trading market in the Tokens.

Most securities that are publicly traded in the United States have one or more broker-dealers acting as "market makers" for the security. A market maker is a firm that stands ready to buy and sell the security on a regular and continuous basis at publicly quoted prices. In the event that a Designated Exchange is created or developed, the Company does not believe that the Securities will have any market makers, which could contribute to a lack of liquidity in the Securities, and could have a material adverse effect on holders' ability to trade the Securities.

Only certain persons and entities are able to acquire Securities.

Only limited categories of persons and entities may purchase Securities. The Company expects that these limitations will limit liquidity in the Securities, and the limitations may have a material adverse effect on the development of any trading market in the Securities. The Securities have not been registered under the Securities Act or any United States state securities laws or under the securities laws of any other jurisdiction and may not be offered or sold within the United States or to, or for the account or benefit of, United States persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable United States state securities laws. In addition, in offshore transactions the Securities may be purchased only by non-U.S. Persons in accordance with applicable restrictions under the securities laws of the jurisdictions in which they are sold. Generally, foreign securities laws restrict the categories of persons permitted to purchase securities, such as the Tokens, to specified classes of sophisticated investors. No action has been taken in any jurisdiction to permit a public offering of the Securities. Moreover, in addition to legal restrictions, by acquiring Tokens, holders agree to additional transfer restrictions described in this Memorandum.

Consequently, it is expected that there will only be a limited number of Token holders a purchaser of the Securities and an owner of beneficial interests in those Securities must be able to bear the economic risk of their investment in the Securities indefinitely.

The Securities are not legal tender, are not backed by the government, and accounts and value balances are not subject to Federal Deposit Insurance Corporation or Securities Investor Protection Corporation ("SIPC") protections.

The Securities are not legal tender, are not backed by the government, and accounts and value balances are not subject to Federal Deposit Insurance Corporation or Securities Investor Protection Corporation protections. Any investment in the Securities is made at the risk of the purchaser.

The Tokens are equity securities and are subordinate to existing and future indebtedness of the Company and the applicable issuer.

Tokens are equity interests in the Company and/or the applicable issuer in an Offering on the platform. This means that the Tokens will rank junior to all existing and future indebtedness of the Company and/or the applicable issuer and to other non-equity claims on the Company and/or the applicable issuer with respect to assets available to satisfy claims on the Company, including claims in liquidation. Further, the Tokens place no restrictions on the business or operations of the Company and/or the applicable issuer or on our or its ability to incur additional indebtedness or engage in any transactions, subject only to the limited voting rights required under Delaware law.

The Tokens may have lower priority to certain rights and preferences than future tokens or preferred stock of the Company or the applicable issuer.

The Tokens may have lower priority to certain rights and preferences than other tokens and/or preferred stock that the Company (and/or the issuer in an applicable Offering on the platform) issues in the future, which by its terms is expressly higher priority than the Tokens. The terms of any future tokens and/or preferred stock that are higher priority than the Tokens may restrict dividend payments on the Tokens. In this case, unless full dividends for all such outstanding tokens and preferred stock with higher priority than the Tokens have been declared and paid or set aside for payment, no dividends will be declared or paid and no distribution will be made on any Tokens, and no Tokens will be permitted to be repurchased, redeemed or otherwise acquired by the Company or the issuer in an applicable Offering, directly or indirectly, for consideration.

Risks Related to the Development of the RealBlocks Platform

We may not successfully develop, market and launch our RealBlocks platform.

We view the continued development of our RealBlocks platform as a key commercial milestone. We remain in the preliminary stages of development of our RealBlocks platform, and our RealBlocks platform may never be fully developed and operational.

In addition, the development of our RealBlocks platform will require significant capital funding, expertise of our management and time and effort in order to be successful. We may have to make changes to the specifications of our RealBlocks platform for any number of reasons or we may be unable to develop our RealBlocks platform in a way that realizes those specifications or any form of a functioning network. It is possible that the Tokens and our RealBlocks platform may not ever be released and there may never be an operational Token or the launch of our RealBlocks platform may never occur. Our RealBlocks platform, if successfully developed and maintained, may not meet investor expectations at the time of purchase of Tokens—for example, there can be no assurance that our RealBlocks platform will provide less expensive or more efficient trading than is possible on currently available trading platforms for traditional securities. Furthermore, despite good faith efforts to develop and complete the launch of our RealBlocks platform and subsequently to maintain our RealBlocks platform, it is still possible that our RealBlocks platform will experience malfunctions or otherwise fail to be adequately developed or maintained, which may negatively impact our RealBlocks platform and Tokens.

We may not have or may not be able to obtain the technical skills, expertise or regulatory approvals needed to successfully develop our RealBlocks platform and progress it to a successful launch. While the Company has sought to retain and continue to competitively recruit experts, there may, from time to time, be a general scarcity of management, technical, scientific, research and marketing personnel with appropriate training to develop and maintain our RealBlocks platform. In addition, there are significant legal and regulatory considerations that will need to be addressed in order to develop and maintain our RealBlocks platform, and addressing such considerations will require significant time and resources. There can be no assurance that the Company will be able to develop a RealBlocks platform that achieves the Company's goals and satisfies the complex regulatory requirements applicable to SEC-registered exchanges and/or permitted alternative trading systems. If the Company is not successful in its efforts to develop a RealBlocks platform that is compliant with all regulatory and legal requirements and to demonstrate to users the utility and value of our RealBlocks platform, it may be impermissible to launch our RealBlocks platform or there may not be sufficient demand for the Tokens for the launch of our RealBlocks platform to be commercially viable. As a result, or if the launch does not occur, purchasers of the Securities may lose all of their investment.

Our RealBlocks platform may not be widely adopted and may have limited users.

It is possible that our RealBlocks platform will not be used by a large number of issuers, broker-dealers or holders of security tokens or that there will be limited public interest in the creation and development of our RealBlocks platform. In addition, legal and regulatory developments could render our RealBlocks platform obsolete or impermissible. Such a lack of use or interest could negatively impact the development of our RealBlocks platform, the value of the Tokens and the financial position of the Company.

Alternative networks may be established that compete with or are more widely used than our RealBlocks platform.

It is possible that alternative networks could be established that utilize the same or similar protocols as those that will underlie our RealBlocks platform or that facilitate services that are materially similar to our RealBlocks platform's services. Our RealBlocks platform may compete with these alternative networks, which could negatively impact our RealBlocks platform and the Tokens.

Our RealBlocks platform, the Tokens and any blockchain on which our products and/or securities may rely may be the target of malicious cyberattacks or may contain exploitable flaws in its underlying code, which may result in security breaches and the loss or theft of Tokens or other tokens that may trade on our RealBlocks platform. If such attacks occur or security is compromised, this could expose us to liability and reputational harm and could seriously curtail the utilization of the Tokens and cause a decline in the market price of the Tokens.

If the Tokens are issued, and if our RealBlocks platform is developed, their structural foundation, the software applications and other interfaces or applications upon which they rely or that will be built upon our RealBlocks platform are unproven, and there can be no assurances that our RealBlocks platform and the creating, transfer or storage of the Tokens will be uninterrupted or fully secure, which may result in impermissible transfers, a complete loss of users' Tokens or an unwillingness of users to access, adopt and utilize Tokens and/or our RealBlocks platform. Further, the Tokens and our RealBlocks platform (and any technology, including blockchain technology, on which they rely) may also be the target of malicious attacks seeking to identify and exploit weaknesses in the software, the Tokens or our RealBlocks platform which may result in the loss or theft of Tokens. For example, if the Company and the Tokens and/or RealBlocks platform are subject to unknown and known security attacks (such as double-spend attacks, 51% attacks, or other malicious attacks), this may materially and adversely affect our RealBlocks platform.

Some market participants may oppose the development of distributed ledger or blockchain-based systems like those central to the Company's commercial mission.

Many participants in the system currently used for trading securities in the United States may oppose the development of capital markets systems and processes that utilize distributed ledger and blockchain-based systems. The market participants who may

oppose such a system may include market participants with significantly greater resources, including financial resources and political influence, than the Company has. The ability of the Company to operate and achieve its commercial goals could be adversely affected by any actions of any such market participants that result in additional regulatory requirements or other activities that make it more difficult for the Company to operate, which could have a material adverse effect on the Company's operations and financial conditions.

Risks Related to Blockchain Technology

The regulatory regime governing blockchain technologies, cryptocurrencies, digital assets, the RealBlocks Platform and offerings of digital assets, such as the Tokens, is uncertain, and new regulations or policies may materially adversely affect the development and the value of the Tokens.

Regulation of digital assets, like the Tokens, and offerings such as Offerings on the platform, cryptocurrencies, blockchain technologies, cryptocurrency exchanges and our RealBlocks platform, is currently undeveloped and likely to rapidly evolve as government agencies take greater interest in them, varies significantly among international, federal, state and local jurisdictions and is subject to significant uncertainty. Various legislative and executive bodies in the United States and in other countries may in the future adopt laws, regulations, or guidance, or take other actions, which may severely impact the permissibility of the Tokens, tokens generally and, in each case, the technology behind them or the means of transaction in or transferring them. Failure by the Company or certain users of the Securities to comply with any laws, rules and regulations, some of which may not exist yet or that are subject to interpretations that may be subject to change, could result in a variety of adverse consequences, including civil penalties and fines.

Cryptocurrency networks, distributed ledger technologies, and coin and token offerings also face an uncertain regulatory landscape in many foreign jurisdictions such as the European Union, China and Russia. Various foreign jurisdictions may, in the near future, adopt laws, regulations or directives that affect the Tokens or our RealBlocks platform. Such laws, regulations or directives may conflict with those of the United States or may directly and negatively impact the Company's business. The effect of any future regulatory change is impossible to predict, but such change could be substantial and materially adverse to the adoption and value of the Tokens and the financial performance of the Company.

New or changing laws and regulations or interpretations of existing laws and regulations, in the United States and other jurisdictions, may materially and adversely impact the value of the Tokens, including with respect to the dividends that may be made, the liquidity of the Tokens, the ability to access marketplaces or exchanges on which to trade the Tokens, and the structure, rights and transferability of Tokens.

The further development and acceptance of blockchain networks, which are part of a new and rapidly changing industry, are subject to a variety of factors that are difficult to evaluate. The slowing or stopping of the development or acceptance of blockchain networks and blockchain assets would have an adverse material effect on the successful development and adoption of the Tokens.

The growth of the blockchain industry in general, as well as the blockchain networks on which the Tokens will rely, is subject to a high degree of uncertainty. The factors affecting the further development of the cryptocurrency and cryptosecurity industry, as well as blockchain networks, include, without limitation:

- worldwide growth in the adoption and use of cryptocurrencies, cryptosecurities and other blockchain technologies;
- government and quasi-government regulation of cryptocurrencies, cryptosecurities and other blockchain assets and their use, or restrictions on or regulation of access to and operation of blockchain networks or similar systems;
- the maintenance and development of the open-source software protocol of cryptocurrency or cryptosecurities networks;
- changes in consumer demographics and public tastes and preferences;
- the availability and popularity of other forms or methods of buying and selling goods and services, or trading assets including new means of using government-backed currencies or existing networks;
- general economic conditions and the regulatory environment relating to cryptocurrencies and cryptosecurities;
- a decline in the popularity or acceptance of cryptocurrencies or other blockchain-based tokens would adversely affect the Company's results of operations.

The cryptocurrency and cryptosecurities industries as a whole have been characterized by rapid changes and innovations and are constantly evolving. Although they have experienced significant growth in recent years, the slowing or stopping of the development, general acceptance and adoption and usage of blockchain networks and blockchain assets may deter or delay the acceptance and adoption of the Tokens.

The prices of digital assets are extremely volatile. Fluctuations in the price of digital assets could materially and adversely affect the Company's business, and the Tokens may also be subject to significant price volatility.

The prices of cryptocurrencies, such as Bitcoin and Ether, and other digital assets have historically been subject to dramatic fluctuations and are highly volatile, and the market price of the Tokens may also be highly volatile. Several factors may influence the market price, if any, of the Tokens, including, but not limited to:

- the ability of the Tokens to trade in a secondary market, if at all;
- the availability of a Designated Exchange or other trading platform for digital assets;
- global digital asset and security token supply;
- global digital asset and security token demand, which can be influenced by the growth of retail merchants' and commercial businesses' acceptance of digital assets like cryptocurrencies as payment for goods and services, the security of online digital asset exchanges and digital wallets that hold digital assets, the perception that the use and holding of digital assets is safe and secure, and the regulatory restrictions on their use;
- purchasers' expectations with respect to the rate of inflation;
- changes in the software, software requirements or hardware requirements underlying the Tokens;

- changes in the rights, obligations, incentives, or rewards for the various holders of the Tokens;
- interest rates;
- currency exchange rates, including the rates at which digital assets may be exchanged for fiat currencies;
- government-backed currency withdrawal and deposit policies of digital asset exchanges;
- interruptions in service from or failures of major digital asset and security token exchange on which digital assets and security tokens are traded;
- investment and trading activities of large purchasers, including private and registered funds, that may directly or indirectly invest in securities tokens or other digital assets;
- monetary policies of governments, trade restrictions, currency devaluations and revaluations;
- regulatory measures, if any, that affect the use of digital assets and security tokens such as the Tokens;
- global or regional political, economic or financial events and situations;
- expectations among digital assets participants that the value of security tokens or other digital assets will soon change.

A decrease in the price of a single digital asset may cause volatility in the entire digital asset and security token industry and may affect other digital assets including the Tokens. For example, a security breach that affects purchaser or user confidence in Bitcoin or Ether may affect the industry as a whole and may also cause the price of the Tokens and other digital assets to fluctuate. Such volatility in the price of the Tokens may result in significant loss over a short period of time. The terms of the Tokens and of any particular issuance on the platform may also lead to additional price volatility.

Risks Related to the Company's Business

The Company has limited operating history, which makes it hard to evaluate its ability to generate revenue through operations.

The Company's limited operating history may make it difficult to evaluate its current business and future prospects. The Company has encountered, and will continue to encounter, risks and difficulties frequently experienced by growing companies in rapidly developing and changing industries, including challenges in forecasting accuracy, determining appropriate investments of its limited resources, gaining market acceptance, managing a complex regulatory landscape and developing new products. The Company's current operating model may require changes in order for it to scale its operations efficiently. Purchasers should consider the Company's business and prospects in light of the risks and difficulties it faces as an early-stage company focused on developing products, both organically and through strategic acquisitions, in the field of financial technology. To date, RealBlocks has focused on developing its business and exploring opportunities for novel applications of blockchain technology. As a result of its early stage of development, RealBlocks has not yet generated revenue from any commercially available blockchain-based applications. Moreover, there has been no independent third-party valuation of RealBlocks' business, and RealBlocks makes no assertions or representations as to the fair market value of RealBlocks or any of the Securities.

There is no assurance that the Company will be able to continue as a going concern.

The Company has generated limited revenue and has accumulated losses since inception. As such, the Company's continuation as a going concern is currently dependent upon the continued financial support from prospective investors, which it may not receive.

Technology relied upon by us for our operations, including our RealBlocks platform, may not function properly.

The technology relied upon by us, including our RealBlocks platform, may not function properly, which would have a material impact on our operations and financial conditions. Our RealBlocks platform has not been tested with any trading volume. Although we remain in the preliminary stages of development of our RealBlocks platform, we intend to utilize certain aspects of the technology employed by our RealBlocks platform. There may be no alternatives available if such technology does not work as anticipated or if technology that we expect to work for our RealBlocks platform does not work for our RealBlocks platform. In particular, the importance of our RealBlocks platform to our operations means that any problems in its functionality would have a direct materially adverse effect on our plans and expectations for revenues from blockchain applications. This technology may malfunction because of internal problems or as a result of cyberattacks or external security breaches. Any such technological problems would have a material adverse impact on the our revenue, our ability to make dividend payments and our prospects.

Certain of our officers and directors participate in other business ventures and, as a result, may have limited time to devote to our business or may compete with the Company.

Certain of our officers and directors participate in other business ventures. As a result of such participation, management anticipates devoting a portion of their time per month to such other business ventures. Moreover, such outside business ventures may at times compete directly with the Company or result in conflicts of interest in the future.

The Company's business is subject to complex and evolving United States and foreign laws and regulations regarding privacy, technology, data protection, and other matters. Many of these laws and regulations are subject to change and uncertain interpretation, and could result in claims, changes to the Company's business practices, increased cost of operations or otherwise harm the Company's business.

The Company is subject to a variety of laws and regulations in the United States and abroad that involve matters central to its business, including user privacy, blockchain technology, broker dealer, data protection and intellectual property, among others. Foreign data protection, privacy, broker dealer and other laws and regulations are often more restrictive than those in the United States. These U.S. federal and state and foreign laws and regulations are constantly evolving and can be subject to significant change. In addition, the application and interpretation of these laws and regulations are often uncertain, particularly in the new and rapidly evolving industry in which the Company operates.

The Company has adopted policies and procedures designed to comply with these laws. The growth of its business and its expansion outside of the United States may increase the potential of violating these laws or its internal policies and procedures. The risk of the Company's being found in violation of these or other laws and regulations is further increased by the fact that many of them have not been fully interpreted by the regulatory authorities or the courts, and are open to a variety of interpretations. Any action brought against the Company for violation of these or other laws or regulations, even if the Company successfully defends against it, could cause the Company to incur significant legal expenses and divert its management's attention from the operation of its business. If the Company's operations are found to be in violation of any of these laws and regulations, the Company may be subject to any applicable penalty associated with the violation, including civil and criminal penalties, damages and fines, the Company could be required to refund payments received by it, and it could be required to curtail or cease its operations. Any of the foregoing consequences could seriously harm its business and its financial results. These existing and proposed laws and regulations can be costly to comply with and can delay or impede the development of new products, result in negative publicity, increase its operating costs, require significant management time and attention, and subject the Company to claims or other remedies, including fines or demands that the Company modifies or ceases existing business practices.

Any registered broker-dealers that partner with the Company will be subject to extensive regulation.

Broker-dealers are subject to extensive regulatory requirements under federal and state laws and regulations and self-regulatory organization SRO rules. Initially, the Company intends to partner with broker-dealers registered as such under the Exchange Act and in the states in which they conduct securities business and are members of FINRA. Eventually, the Company intends to register as a broker-dealer under the Exchange Act and in the states in which it conducts business and is a member of FINRA. Such broker-dealers will be subject to regulation, examination and disciplinary action by the SEC, FINRA and state securities regulators, as well as other governmental authorities with which they are registered or licensed or of which they are a member. Any failure of such broker-dealer to comply with all applicable rules and regulations could have a material adverse effect on the Company's operations and financial conditions.

The Company is subject to the risk of possibly becoming an investment company under the Investment Company Act.

The Investment Company Act regulates certain companies that invest in, hold or trade securities. In the future the Company's assets may consist of minority investment positions, and as such, the Company runs the risk of inadvertently becoming an investment company, which would require the Company to register under the Investment Company Act. Registered investment companies are subject to extensive, restrictive and potentially adverse regulations relating to, among other things, operating methods, leverage, management, capital structure, dividends and transactions with affiliates. Registered investment companies are not permitted to operate their business in the manner in which the Company operates its business, nor are registered investment companies permitted to have many of the relationships that the Company has with its affiliated companies.

To avoid becoming and registering as an investment company under the Investment Company Act, the Company intends to monitor the value of its future investments and structure transactions accordingly. As a result, the Company may structure transactions in a less advantageous manner than if it was not subject to such Investment Company Act risks, or the Company may avoid otherwise economically desirable transactions due to this risk. In addition, events beyond the Company's control, including significant appreciation or depreciation in the market value of certain of its publicly traded holdings or adverse developments with respect to its ownership of certain of its subsidiaries, could result in the Company inadvertently becoming an investment company. If it were established that the Company were an investment company, there would be a risk, among other material adverse consequences, that it could become subject to monetary penalties or injunctive relief, or both, in an action brought by the SEC, that the Company would be unable to enforce contracts with third parties or that third parties could seek to obtain rescission of transactions with the Company undertaken during the period it was established that the Company was an unregistered investment company. If it were established that the Company were an investment company, this would have a material adverse effect on its business and financial operations and its ability to continue as a going concern.

The popularity of cryptocurrencies and cryptosecurities offerings may decrease in the future, which could have a material impact on the cryptocurrency and cryptosecurities industry and the Company's operations and financial conditions.

The Company was founded to develop and commercialize real estate investments based on the use of digital assets, digital securities (or cryptosecurities) and blockchain technology. In recent years, cryptocurrencies and cryptosecurities have become more widely accepted among investors and financial institutions, but have been also faced increasingly complex legal and regulatory challenges and, to date, have not benefited from widespread adoption by governments, central banks or established financial institutions. Any significant decrease in the acceptance or popularity of cryptocurrency or cryptosecurity offerings may have a material impact on the operations and financial conditions of the Company and/or an issuer on the platform.

A violation of privacy or data protection laws could have a material adverse effect on the Company and the value of the Tokens.

The Company (and certain of its advisors) and issuers hosted on our RealBlocks platform are subject to applicable privacy and data protection laws and regulations. Any violations of laws and regulations relating to the safeguarding of private information could subject the Company or the applicable issuer to fines, penalties or other regulatory actions, as well as to civil actions by affected parties. Any such violation could adversely affect the ability of the Company to operate our RealBlocks platform or the applicable issuer on the platform, which could have a material adverse effect on the operations and financial conditions of the Company and/or an issuer on the platform.

The Company and its subsidiaries are, and our RealBlocks platform, and the blockchain technology to be utilized by such RealBlocks platform will be, subject to cyberattacks, security risks and risks of security breaches. The nature of the Tokens may lead to an increased risk of fraud or cyberattack.

The Company and the issuers hosted on our RealBlocks platform are, and our RealBlocks platform, and the blockchain technology to be utilized by such RealBlocks platform will be, subject to cyberattacks, security risks and risks of security breaches. An attack on any of them or a breach of security of any of them could result in a loss of private data, unauthorized trades, and an interruption of trading for an extended period of time. Any such attack or breach could adversely affect the ability of the Company to effectively operate our RealBlocks platform, which could have a material adverse effect on the Company's operations and financial conditions.

Such an attack may also damage the Company's reputation and any breach of data security that exposes or compromises the security of any of the technology utilized by our RealBlocks platform, to authorize or validate transaction orders, or that enables any unauthorized person to compromise our security protocols, could result in unauthorized trades.

Our RealBlocks platform and any RealBlocks platform developed in the future has been and will be, as applicable, developed by key technology employees of the Company and its affiliates, and their operation and further development depend on the continued availability of those key employees.

Our RealBlocks platform, and any RealBlocks platform that may be developed in the future, including technology and intellectual property involved in their creation and operation, has been or will be, as applicable, developed primarily by a small number of key technology employees of the Company and its affiliates. The loss of the services of any of those key employees could have a material adverse effect on the ability of the Company to develop, operate or maintain our RealBlocks platform or our RealBlocks platform. If the Company were to lose the services of any such key employees, it could be difficult or impossible to replace them, and the loss of any of them could have a material adverse effect on the Company's operations and financial conditions.

The development and operation of our RealBlocks platform requires, and any RealBlocks platform that may be developed in the future will likely require, technology and intellectual property rights.

The ability of the Company to develop and operate our RealBlocks platform and any Company platform that may be developed in the future may depend on technology and intellectual property rights that the Company may license from unaffiliated third parties. If for any reason the Company were to fail to comply with its obligations under the applicable license agreement, or were unable to provide or were to fail to provide the technology and intellectual property that our RealBlocks platform requires, they would be unable to operate, which would have a material adverse effect on the Company's operations and financial conditions.

The Company may face substantial competition from a number of known and unknown competitors as well as the risk that one or more of them may obtain patents or other protections covering technology critical to the operation of our RealBlocks platform or any future RealBlocks platform.

The Company believes that a number of organizations are or may be working to develop trading systems utilizing distributed ledger or blockchain technologies or other novel technologies that may be competitive with its own technology. Some or all of such organizations may have substantially greater technological expertise, experience with distributed ledger technologies and/or financial resources than the Company or its current and prospective investors have. If one or more other persons, companies or organizations obtains a valid patent covering technology critical to our RealBlocks platform or any future RealBlocks platform, the Company and the other entities that need the relevant technology in order to enable our RealBlocks platform or RealBlocks platform to operate as intended might be unable or unwilling to license the technology, and it could become impossible for our RealBlocks platform to operate, which could have a material adverse effect on the Company.

RealBlocks and issuers on the platform are subject to risks relating to the industries in which they operate.

Risks relating to the real estate industry.

The real estate industry is significantly affected by changes in economic and political conditions as well as real estate markets, which could adversely impact returns on investments hosted on the platform, trigger defaults in project financing, cause cancellations of property sales, reduce the value of properties or investments hosted on the platform and could affect the results of operations and liquidity. The real estate industry is cyclical and is significantly affected by changes in general and local economic conditions which are beyond our control.

These conditions include short-term and long-term interest rates, inflation, fluctuations in debt and equity capital markets, levels of unemployment, consumer confidence and the general economic condition of the United States and the global economy. The real estate market also depends upon the strength of financial institutions, which are sensitive to changes in the general macroeconomic environment. Lack of available credit or lack of confidence in the financial sector could impact the real estate market, which in turn could adversely affect our business, financial condition and results of operations.

Any of the following could be associated with cyclicity in the real estate market by halting or limiting a recovery in the residential real estate market, and have an adverse effect on our business and the business of any issuer on our RealBlocks platform by causing periods of lower growth or a decline in the number of home sales and/or property prices which, in turn, could adversely affect revenue and profitability:

- periods of economic slowdown or recession;
- rising interest rates;
- the general availability of mortgage financing;
- a negative perception of the market for residential real estate;
- commission pressure from brokers who discount their commissions;
- an increase in the cost of homeowners' insurance;
- weak credit markets;
- a low level of consumer confidence in the economy and/or the real estate market;
- instability of financial institutions;
- legislative, tax or regulatory changes that would adversely impact the real estate market, including but not limited to potential reform relating to Fannie Mae, Freddie Mac and other government sponsored entities that provide liquidity to the U.S. housing and mortgage markets, and potential limits on, or elimination of, the deductibility of certain mortgage interest expense and property taxes;
- a decline in the affordability of homes;
- declining demand for real estate;

- decreasing home ownership rates, declining demand for real estate and changing social attitudes toward home ownership; and/or
- acts of God, such as hurricanes, earthquakes and other natural disasters, or acts or threats of war or terrorism.

If the market value of properties or investments of issuers on our platform decline, operations could be adversely affected by impairments and write-downs. Issuers on our RealBlocks platform may acquire land and invest in real estate projects in the ordinary course of their business. There is an inherent risk that the value of land and investments may decline after purchase, which also may affect the value of properties under construction. The valuation of property is inherently subjective and based on the individual characteristics of each property. The market value of land and investments in real estate projects depends on general and local real estate market conditions. These conditions can change and thereby subject valuations to uncertainty. Moreover, all valuations are made on the basis of assumptions that may not prove to reflect economic or demographic reality. Issuers on our RealBlocks platform may have acquired options on or bought and developed land at a cost they will not be able to recover fully or on which they cannot build and sell the property profitably. In addition, deposits or investments in deposits for building lots controlled under option or similar contracts may be put at risk. If market conditions deteriorate, assets may be subject to impairments and write-down charges which would adversely affect operations and financial results and those of any issuer hosted on the platform.

If demand for residential or commercial real estate decreases below what was anticipated when developing such inventory, profitability may be adversely affected and the related costs when selling and building properties and/or investments may not be recovered. Write-downs and impairments in the value of properties and/or investments hosted on the platform may be required, and issuers may in the future sell properties and/or investments at a loss, which could adversely affect their results of operations and financial condition.

Issuers face risks associated with property acquisitions. RealBlocks and/or issuers on our RealBlocks platform may be unable to finance acquisitions or investments on favorable terms or properties may fail to perform as expected. We, and the issuers on the platform, as applicable, may underestimate the costs necessary to bring an investment up to standards established for its intended market position. We, and/or the issuer, as applicable, may also acquire or invest in properties subject to liabilities and with recourse, with respect to unknown liabilities. The acquisition of real estate investments are subject to several risks including: underestimated operating expenses for a property, possibly making it uneconomical or unprofitable; a property may fail to perform in accordance with expectations, in which case the Company (and/or an issuer hosted on the platform, as applicable) may sustain lower-than-expected income or need to incur additional expenses for the property; and the Company (and/or an issuer, as applicable) may not be able to sell, dispose or refinance the property at a favorable price or terms, or at all, as the case may be; in addition to any potential loss on a sale, the Company (and/or an issuer, as applicable) may have no choice but to hold on to the property and continue to incur net operating losses if underperforming for an indefinite period of time, as well as incur continuing tax, environmental and other liabilities. Acquisition agreements will typically contain conditions to closing, including completion of due diligence to our satisfaction or other conditions that are not within our (and/or the issuer's, as applicable) control, which may not be satisfied. Each of these factors could have an adverse effect on our (and/or the issuer's, as applicable) results of operations and financial condition.

Success depends on the availability of suitable real estate investments at acceptable prices and having sufficient liquidity to acquire such investments. The success of RealBlocks and/or the issuers on its platform in investing in real estate depends in part upon the continued availability of suitable real estate assets at acceptable prices. The availability of properties for investment at favorable prices depends on a number of factors outside of our control, including the risk of competitive over-bidding on real estate assets. Should suitable opportunities become less available, the number of properties we (and/or the issuers on the platform, as applicable) develop and invest in would be reduced, which would reduce revenue and profits. In addition, our ability and the ability of the issuers on our platform to make investments will depend upon whether there is sufficient liquidity to fund such purchases and investments.

If we, or the issuers on our platform, or the entities we or they invest in, are not able to develop and market their real estate developments successfully or within expected timeframes or at projected pricing, our business and results of operations will be adversely affected. Before a property development generates any revenues, material expenditures are incurred to acquire land, obtain development approvals and construct significant portions of project infrastructure, amenities, model offices, showrooms, apartments or homes and sales facilities. It generally takes several years for a real estate development to achieve cumulative positive cash flow. If we, the issuers on our platform, or the entities we or they invest in, are unable to develop and market such real estate developments successfully or to generate positive cash flows from these operations within expected timeframes, it could have a material adverse effect on our (and/or the issuer's, as applicable) business and results of operations.

Because certain of issuers' assets are illiquid, they may not be able to sell these assets when appropriate or when desired. Large real estate development like the ones that may be hosted on our platform can be hard to sell, especially if local market conditions are poor. Such illiquidity could limit our ability to diversify our assets promptly in response to changing economic or investment conditions. Additionally, financial difficulties of other property owners resulting in distressed sales could depress real estate values in the markets in which we operate in times of illiquidity. These restrictions reduce our ability to respond to changes in the performance of our assets and could adversely affect our financial condition and results of operations.

Real estate investments on our platform and the real estate market in general could be adversely impacted by changes in the law. Many different laws govern the development of real estate. Changes to laws such as affordable housing, zoning, air rights and others, could adversely impact the real estate projects on our platform.

The real estate developments hosted on the platform may be subject to losses as a result of construction defects. Real estate developers, are subject to construction defect and warranty claims arising in the ordinary course of their business. These claims are common in the real estate development industry and can be costly.

Claims may be asserted against the real estate developments for construction defects, personal injury or property damage caused by the developer, general contractor or subcontractors, and if successful these claims may give rise to liability. Subcontractors are independent of the homebuilders that contract with them under normal management practices and the terms of trade contracts and subcontracts within the industry; however, if U.S. or other regulatory agencies or courts reclassify the employees of sub-contractors as employees of real estate developers, real estate developers using subcontractors could be responsible for wage, hour and other employment-related liabilities of their subcontractors.

In addition, where the real estate developments hire general contractors, unforeseen events such as the bankruptcy of, or an uninsured or under-insured loss claimed against, the general contractor, may sometimes result in the real estate developer becoming responsible for the losses or other obligations of the general contractor. The costs of insuring against construction defect and product liability claims are high, and the amount of coverage offered by insurance companies may be limited. There can be no assurance that this coverage will not be further restricted and become more costly. If the real estate developments are not able to obtain adequate insurance against these claims in the future, our business and results of operations may be adversely affected.

Increasingly in recent years, individual and class action lawsuits have been filed against real estate developers asserting claims of personal injury and property damage caused by a variety of issues, including faulty materials and the presence of mold in residential dwellings. Furthermore, decreases in home values as a result of general economic conditions may result in an increase in both non-meritorious and meritorious construction defect claims, as well as claims based on marketing and sales practices. Insurance may not cover all of the claims arising from such issues, or such coverage may become prohibitively expensive. If real estate developments are not able to obtain adequate insurance against these claims, they may experience litigation costs and losses that could reduce our revenues from these investments. Even if they are successful in defending such claims, we (and/or the issuers on our platform) may incur significant losses.

Real estate investments may face substantial damages as a result of existing or future litigation, arbitration or other claims. Real estate developments are exposed to potentially significant litigation, arbitration proceedings and other claims, including breach of contract, contractual disputes and disputes relating to defective title, property misdescription or construction defects. Class action lawsuits can be costly to defend, and if our assets were to lose any certified class action suit, it could result in substantial liability. With respect to certain general liability exposures, including construction defect and product liability claims, interpretation of underlying current and future trends, assessment of claims and the related liability and reserve estimation process requires us to exercise significant judgment due to the complex nature of these exposures, with each exposure exhibiting unique circumstances. Furthermore, once claims are asserted for construction defects, it is difficult to determine the extent to which the assertion of these claims will expand geographically. As a result, the Company, and/or the issuers on our platform, may suffer losses on the investments which could adversely affect the business, financial condition and results of operations of the Company and/or such issuers.

Investments in real estate are susceptible to adverse weather conditions and natural and man-made disasters. Adverse weather conditions and natural and man-made disasters such as hurricanes, tornadoes, storms, earthquakes, floods, droughts, fires, snow, blizzards, as well as terrorist attacks, riots and electrical outages, can have a significant effect on the assets in a real estate portfolio. These adverse conditions can cause physical damage to work in progress and new developments, delays and increased costs in the construction of new developments and disruptions and suspensions of operations, whether caused directly or by disrupting or suspending operations of those upon whom real estate developments that may be hosted on our platform rely in their operations. Such adverse conditions can mutually cause or aggravate each other, and their incidence and severity are unpredictable. If insurance is unavailable to the real estate developments hosted on our platform or is unavailable on acceptable terms, or if insurance is not adequate to cover business interruptions or losses resulting from adverse weather or natural or man-made disasters, the real estate development projects hosted on our platform and our results of operations will be adversely affected. In addition, damage to properties caused by adverse weather or a natural or man-made disaster may cause insurance costs for these properties to increase.

A major health and safety incident relating to real estate investments could be costly in terms of potential liabilities and reputational damage. Building sites are inherently dangerous, and operating in the real estate development industry poses certain inherent health and safety risks. Due to regulatory requirements, health and safety performance is critical to the success of the real estate investments. Any failure in health and safety performance may result in penalties for non-compliance with relevant regulatory requirements, and a failure that results in a major or significant health and safety incident is likely to be costly in terms of potential liabilities incurred as a result. Such a failure could generate significant negative publicity and have a corresponding impact on the reputation and relationships of the developer with relevant regulatory agencies or governmental authorities, which in turn could have an adverse effect on our investment and operating results.

The volatility in the capital and credit markets has increased in recent years. Because the volatility in capital and credit markets may create additional risks in the upcoming months and possibly years, we will continue to perform additional assessments to determine the impact, if any, on our consolidated financial statements. Thus, future impairment charges may occur.



✉ hello@realblocks.com

📍 43 West 23rd Street
Sixth Floor
New York, NY 10010

Follow our social media:

