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Summery Timeline Phase One Phase Two Team

# **Executive Summery**

<u>CRESTO.IO</u> is a blockchain based platform (ERC-20) for real estate investments market. This project splits into two major phases. The proposed presentation covers primarily phase one.

<u>Phase One</u> (addressing today's market's demand and pains): introducing security token offering (STO) backed by real estate assets. The platform for STO will provide to the market players:

- An alternative capital raising tool for real estate trusts / PE firms / Developers;
- An opportunity for retail and small institutional investors to **get access to asset classes, earlier unavailable** for them.

<u>Phase Two</u> (addressing further reaching opportunity, currently explored on both governmental and business levels): building ecosystem for all involved real estate market players, aimed at financial and operational optimization, creating more trust and efficiency in asset due diligence, leasing, ownership transfer and title registration.

#### The main differentiation points of CRESTO:

- **Organic and seamless integration** of proposed solution into existing financial ecosystem; providing real estate investors and sponsors with additional opportunities rather then "disrupting" current financial institutions;
- Cooperating with legal and financial authorities of respective countries to guarantee safeness and legal compliance of provided solution;
- Tokens issued through STO are backed up by tangible real estate assets -> safe collateral;
- Tokens' price is directly correlated with assets' value -> low volatility;
- Collateral for STO is always a commercial real estate asset (not an individual's residence), backed by sensible business plan and financial projections, meeting all asset's criteria expected in traditional off-chain investment industry;
- Sponsors (asset managers and developers) are **experienced financial institutions** with proven track record of success in the real estate industry. Sponsors raise equity/debt in traditional ways + go for STO as an additional financial tool;
- Every sponsor **invests own capital** into an asset presented for STO, thus eliminating conflict of interests, creating correct incentives for all parties involved and guaranteeing unbiased due diligence of investment targets;
- Partnering with those sponsors, who look not only for immediate profits through STO, but also for **first mover advantage** by putting effort into crating more efficient ecosystem according to Phase Two.

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# Project Timeline: Immediate and Long Term Opportunities Are Addressed in Two Phases

Phase 1: Security Token Offering addresses todays' pains of investors and sponsors:

Phase 2: Creating blockchain based ecosystem for real estate market jointly with all players

# CONCEPT (today)

- Team formation. Core competences to be covered by the founding team:
  - Industry experience
  - Financial expertise
  - Legal expertise
  - Technical expertise
- Developing the concept of STO in real estate market
- Validating the concept with potential sponsors: REITs, PEs, RE developers
- MVP creation and validation

# LAUNCH (till end of 2018)

- Coming into agreement with first sponsor
- Identifying asset/portfolio suitable for tokenization
- Choosing public blockchain and creating alpha-version of the platform for STO
- Reaching agreements with crypto exchanges for tokens trading
- Launching first investment campaign: token pre-sale and public sale

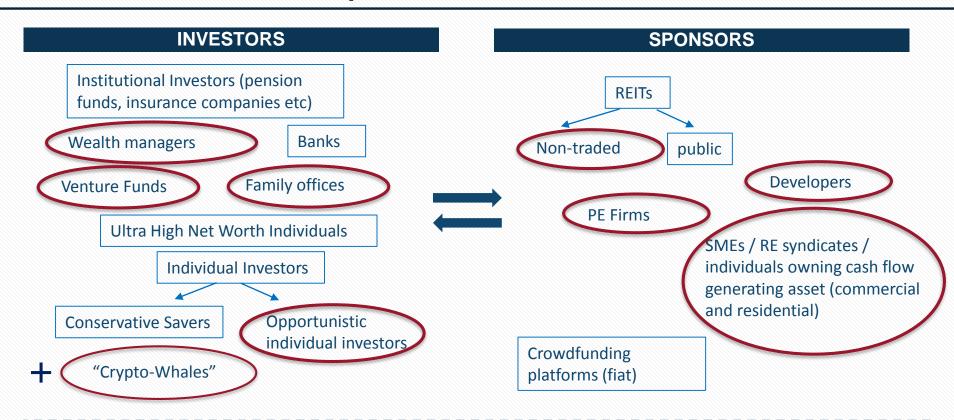
### EXPANDING (January - September 2019)

- Scaling the model by entering more markets
- Brining onboard more sponsors: REITs, PEs, RE developers
- Increasing the number of exchanges for tokens trading
- Marketing campaign aiming to create more trust to the new concept
- Agreeing with sponsors on next steps of integrating blockchain solutions in their everyday operations

# FIRST ELEMENTS OF ECOSYSTEM (starting October 2019)

- Developing jointly with partners a program of blockchain adoption in:
  - Storing information: ownership and leasing history, maintenance track etc.
  - Automated leasing contracts
  - Listing platform for direct search of tenants/buyers
- Involving more parties into blockchain based consortium

# Phase 1 – Security Token Offering Real Estate Market Snapshot



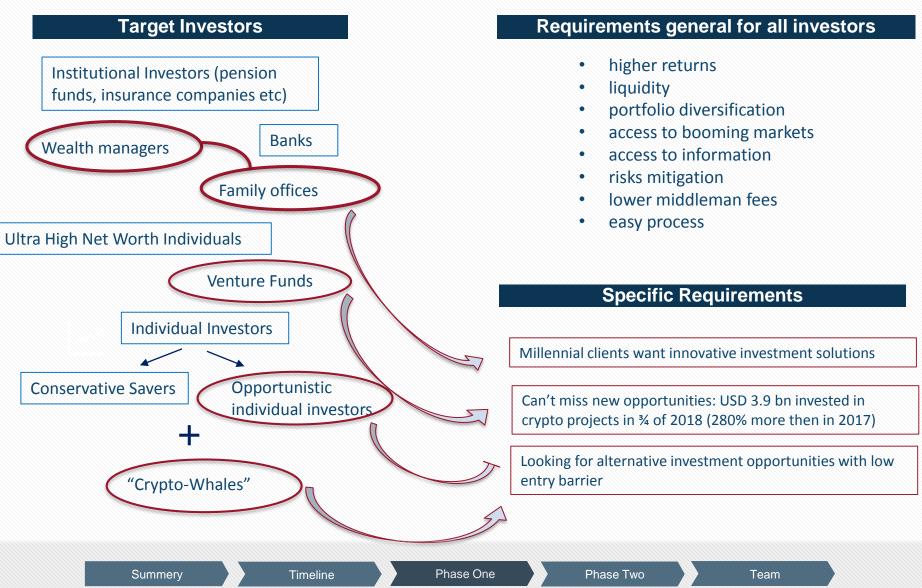


## Residential and commercial properties owned by individuals and enterprises for own use are out of interest:

- These properties are not designed to generate value for external investors and do not generate cash flow;
- The current legal framework is such, that in any arbitrary case it will be close to impossible to liquidate a residential property (e.g. where a family lives) in order to cover investor's loss.

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# **Target Investors & Their Pains**



# **Target Sponsors & Their Pains**

### Requirements general for all sponsors

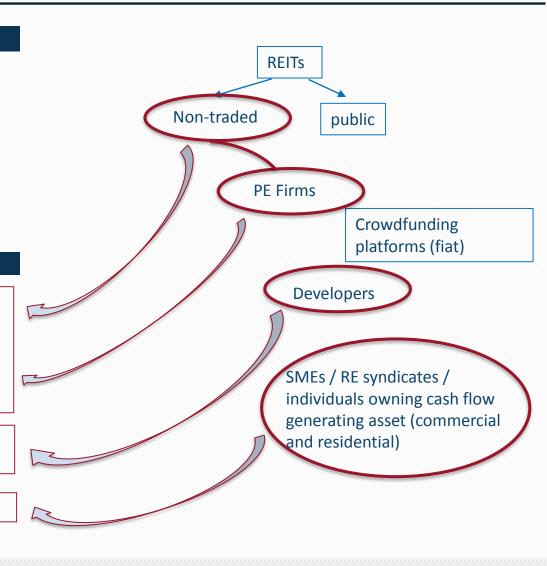
- More retail investors -> more flexibility and bargaining power
- Attracting investors from countries with little opportunities for high returns (e.g. Europe)
- Alternative exit opportunity

#### **Specific Requirements**

- Solving liquidity problem for their investors without going for IPO
- · More flexibility on fee structuring
- Addressing the problem of information asymmetry among investors on different stages of capital rising process

Alternative way of raising bridge financing for new developments

Opportunity to scale portfolio for small asset holders



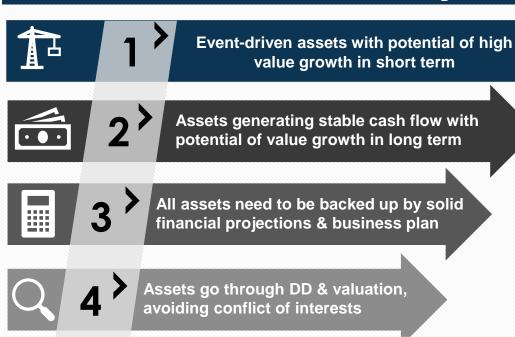
# **Criteria for Choosing Sponsors & Assets**

#### **Criteria for choosing sponsors**

- Real estate investment entities (private REITs and private equity firms) with extensive experience of managing funds, investing into similar asset class
- Sponsors having a clear vision of how raising capital through STO can seamlessly integrate with their existing capital raising models

- Real estate developers with proven track record of completed projects, which generated returns for their lenders/investors
- SMEs and Individuals with proven record of successfully managing income generating properties, who have sensible business plan for scaling their portfolio through co-investing
- Sponsors looking to be first adopters of blockchain technology in order to create more efficient real estate ecosystem

# Criteria for choosing real estate assets



#### **Examples of target assets:**

- New residential developments in growing cities with undersupply of affordable housing
- Flagship business and trade centers in prime locations with stable pool of tenants
- Properties in prime locations in need of renovation
- Properties with sensible reconception plans (e.g. 3\* hotels -> co-living spaces; business centers -> co-working spaces) etc

# **Existing Solutions and Their Drawbacks**

|                           | Direct<br>Investments | Public<br>REITs | Private REITs<br>PE firms<br>Syndicates | Crowd-<br>funding (fiat) |
|---------------------------|-----------------------|-----------------|---|--------------------------|
| Returns                   | <b>✓</b>              | <u></u>         | <b>√</b>                                | <b>✓</b>                 |
| Entrance barrier          | 0                     | <b>✓</b>        | <b>(2)</b>                              | <b>✓</b>                 |
| Liquidity                 | <u></u>               | <b>✓</b>        | 0                                       | 0                        |
| Diversification           | 0                     |                 | <u></u>                                 | <b>✓</b>                 |
| Access to booming markets | <u></u>               | (;)             | 0                                       | 0                        |
| Access to information     | <u></u>               | <b>✓</b>        | <b>(1)</b>                              | <b>✓</b>                 |
| Risks                     | $\checkmark$          | <b>✓</b>        | <u></u>                                 | 0                        |
| Middleman fees            | 0                     | 0               | <u></u>                                 | <b>✓</b>                 |
| Easy transaction process  |                       |                 |   | <b>✓</b>                 |

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## **How CRESTO Addresses Existing Drawbacks**

### **Existing Drawback**

### **Solutions through STO**

#### **INVESTORS**

- Illiquidity: no secondary market for private REITs / PE / SMEs & individuals owning real estate assets → investors can cash out only with huge haircuts
- $\rightarrow$   $\checkmark$
- Once real estate portfolio is tokenized, tokens can be traded on public exchanges

Cross-border investment restrictions: in most cases, retail investors can invest into assets within their country of residence





Investor from almost any country can purchase tokens backed by assets portfolio in any other country

#### **SPONSORS**

Illiquidity: no flexible exit opportunities for partners. The only current alternative is IPO which is an option only for large players





STO creates an alternative exit option and liquidity to partners, allowing the entity to stay private

Limited range of investors: high dependence on institutional investors and HNWI, lack of access to retail investors from markets with low return rates

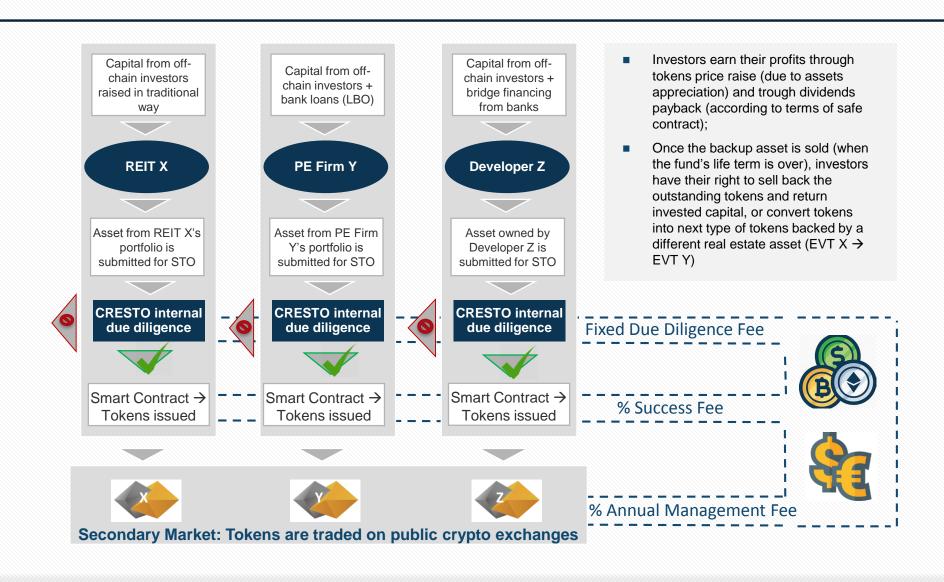


**√** 

Access to large range of retail investors from different regions → more opportunities for sponsors to scale and gain higher bargaining power

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# **CRESTO Business Model (Phase One)**



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## Phase 2

# **Creating Blockchain Based Ecosystem for Real Estate Market**

The true value of blockchain technology for real estate markets goes well beyond STO, which is only the first and most logical step on the way of adopting it. Those players who participate in STO today, gain a tremendous competitive advantage in long run. These first adopters are going to launch inception of the ecosystem and win most progressive partners among other real estate market players. Looking even further, successful technology pioneers have the best chance to win authorities' trust and support, and move forward to working jointly with governments on blockchain based title registration system.

The details of the second phase of this project are currently under development. They require cooperation of all parties involved. The second phase will have much stronger chances to come live once the industry witnesses first successful STOs and generates more trust among business and public communities.

#### **MARKET PLAYERS**

- Individual investors (accredited and non-accredited)
- Institutional investors (pension funds, endowments, insurance companies etc)
- Asset managers and real estate funds
- Property developers
- Brokerage companies
- Maintenance and management companies
- Public authorities related to urban development
- Authorities registering titles, notaries
- Banks providing mortgages
- Auditors and accountants
- Insurance companies
- Tax authorities etc

#### POTENTIAL VALUES CREATED

- Asset management through using automated contract would create more seamless and reliable transaction process (transfer of committed capital and fees, paying back dividends etc)
- Transparent information on market opportunities, which would eliminate intermediaries providing low quality services, and create more market opportunities for brokers adding true value through unique market expertise
- More efficient deal transaction due to automated process among all parties involved (seller, buyer, bank, insurance company, title registration etc)
- Minimum due diligence cost and time, as all scattered datapoints into a formulated network
- Decentralized open data storage will help to minimize default, operational and credit risks etc

## **CRESTO Team**



#### Mariia Kutkina

- · Above 10 years of experience in commercial real estate markets in UAE, Spain & Russia
- · Above 8 years of entrepreneurial experience, 2 startups successfully launched
- **IESE / CEIBS MBA**

**Business Strategy** 



#### Joe Santiago

- Serial entrepreneur & marketer
- More than 10 years experiences in Asian and international market.
- · CMO/COO of Laplace network, Cofounder AGE Blockchain Art **Appraisal**
- · Former COO of Tian Yuan Fang Real Estate & Resorts.

Marketing





#### **Brian Bian**

- · Above 7 years of experience in real estate investments, development projects and asset management
- Co-founder of Vnet blockchain project
- · CEIBS MBA & CFA level 3

Finance (due diligence)





#### Otto Kafka

- · Above 10 years of entrepreneurial experience in the tech industry
- · Full stack developer with mastery of React, Node JS, Express. JS, and MongoDB
- · Successfully launched projects in California, Beijing, Shanghai, & Shenzhen.

**Technology** 





#### Skv Li

- Serial entrepreneur, founded 2 startups during 2014-2018
- · Experience of orchestration from product development to operation.
- · Prior startup life, had 9 years of talent function across digital media, tech & startup spaces.

Product & operation



#### Mark Perry

- · London CASS MSc in **Economics and Finance** 
  - · 7 years experience in Private **Equity and Asset Management** offshore oil & gas, logistic and trading.
  - · Cofounder of AGE Blockchain art appraisal

**Partnership** 





#### **Mobin Arablou**

- · 8 years experiences in software development(Machine learning, Blockchain, App development)
- Gray hat hacker
- Holder of 3 degrees; Postgrad

**Technology** 

in



#### **Amjad Gul**

- · 2 years plus experience in software technology industry
- Backend developer with experience in frontend as well

**Technology** 

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