

Forest Token RWA: In-Depth FAQ

Market & Investment Thesis

Who are the existing players and who is being disrupted?

While there are no direct global competitors offering a fully tokenized, liquid, retail-accessible Finnish forest asset, we are disrupting the **barrier to entry**. Traditionally, direct forest ownership requires significant capital (often €100k+), specialized management knowledge, and implies extreme illiquidity. We disrupt this by democratizing access. We are also offering a superior alternative to traditional Timber REITs, which often behave more like equities than real assets.

Why is this product better than existing Timber ETFs or REITs?

Most "Timber" ETFs and REITs are actually baskets of paper companies, sawmills, and packaging manufacturers. They are operationally heavy and highly correlated to the stock market.

- **Pure Exposure:** Our token represents direct ownership of the land and the trees ("on the stump").
- **De-correlation:** We offer exposure to biological growth, not industrial manufacturing margins.
- **Liquidity:** Unlike a private forest fund with a 10-year lock-up, our token provides liquidity via secondary markets.

What is the historical performance of this asset class?

Forestry in Finland has provided consistent, stable returns that outperform inflation. For context, major unlisted Finnish forest funds have reported the following annualized returns over the past decade:

- **UB Metsä:** ~7.0%
- **S-Pankki Metsä:** ~5.8%
- **OP-Metsänomistaja:** ~5.0%

What is the historical correlation with other markets?

Forestry is a premier diversification tool. Historically, direct timberland exposure shows:

- **0.1 Correlation with the S&P 500:** It moves independently of the stock market.
- **0.0 Correlation with U.S. Bonds:** It is not tied to interest rate cycles in the same way fixed income is.

How does the token accrue value?

Value is generated through three distinct mechanisms:

1. **Biological Growth (Volume):** Finnish forests grow approximately 4.5% in volume annually. Even if market prices stay flat, the asset increases in quantity.
2. **Land Appreciation (Scarcity):** Land is finite. In Finland, stable property rights and alternative use-cases (wind farms, carbon sequestration, recreational leasing) drive a steady upward trend in land value.
3. **Option Value:** Unlike agriculture, timber does not spoil. If timber prices drop, we simply delay the harvest. The trees continue to grow and add volume until prices recover. This optionality creates a natural floor for returns.

What is the total size of the market?

The current value of capital invested globally in forestry is approximately \$350 billion. However, the theoretical value of investable forest globally is estimated between \$3 trillion and \$5 trillion, representing massive room for the financialization of this asset class.

Token Mechanics & Operations

How is the price of the token determined?

- **Secondary Market:** The token is freely priced on public exchanges (DEX/CEX), driven by supply and demand.
- **NAV Peg:** The market price is tethered to the Net Asset Value (NAV) through our buyback and issuance mechanisms (see below).

How often is the Net Asset Value (NAV) updated?

Traditional funds update NAV quarterly or annually. We leverage the **Metsään.fi API** and **Luke (Natural Resources Institute Finland)** weekly timber price indices to update our NAV **monthly or even weekly**. We can essentially provide a real-time price estimate, giving investors unprecedented granularity and transparency.

How is the buying and selling process structured?

- **Buying:** Users can purchase tokens on secondary markets (Exchanges) or, for large ticket sizes, mint directly from the protocol (Primary Market) by depositing stablecoins.

- **Selling:** Users can sell on secondary markets for instant liquidity. Alternatively, the protocol offers a redemption mechanism where tokens can be sold back to the issuer at NAV (minus fees), subject to liquidity windows.

What happens when new deposits come in?

To avoid "cash drag" (where idle cash lowers overall returns):

1. New deposits are immediately deployed into risk-free, yield-bearing assets (e.g., T-Bills or on-chain equivalents).
2. We simultaneously source suitable forest land via public listings and private networks.
3. Once land is secured, the liquid assets are converted to buy the physical forest.

How is inventory and liquidity managed?

Our goal is to hold the land in perpetuity to maximize biological compound growth. However, we utilize the forest's yield to support the token price:

- **Arbitrage Mechanism:** If the Token Price falls below the NAV, the protocol can harvest timber to generate cash.
- **Buyback & Burn:** That cash is used to buy back tokens from the market and burn them. This reduces supply, aligns price with NAV, and increases the value for remaining holders without selling the underlying land.

Technology & Data

Why is Finland the "Go-To-Market" jurisdiction?

Finland is the "Goldilocks" zone for forest tokenization:

- **Data Advantage:** No other country offers free, API-accessible, government-verified forest inventory data. This dramatically reduces Monitoring, Reporting, and Verification (MRV) costs—the biggest expense in nature-based assets.
- **Geopolitical Stability:** Finland consistently ranks as one of the least corrupt and most stable countries globally with ironclad property rights.
- **Infrastructure:** The forestry industry is mature. Logistics, harvesting, and sales channels are highly efficient.

How do you verify the forest actually exists (Metsään.fi & LiDAR)?

We utilize Finland's world-leading digital infrastructure:

- **LiDAR Technology:** The Finnish Forest Centre uses laser scanning from aircraft to create precise 3D maps of the canopy. This penetrates foliage to measure tree height, density, and volume with commercial-grade accuracy.
 - **API Integration:** Our platform connects directly to the **Metsään.fi Open Data API**. Instead of sending expensive human appraisers to count trees, our protocol queries the government database for verified data. This allows for automated, third-party verifiable audits of the portfolio.
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Security & Governance

What mechanisms ensure deposits are correctly spent?

We employ a multi-layered security approach:

1. **SPV Structure:** The physical land is held in a Special Purpose Vehicle (SPV), a legal entity distinct from the operating company. This ensures asset segregation.
2. **On-Chain Transparency:** All deposits and treasury movements are visible on the blockchain.
3. **Multi-Sig Wallets:** Treasury funds require multiple signatures (from different reputable parties/custodians) to be moved, preventing a single point of failure or internal fraud.
4. **Chainlink Proof of Reserve (PoR):** We aim to implement PoR to provide an automated, cryptographic verification that the on-chain token supply matches the off-chain real estate value.

What prevents the physical forest from being stolen?

Timber theft is effectively non-existent in Finland due to strict **Chain-of-Custody** laws.

- **Digital Certificates:** Industrial buyers (like UPM, Stora Enso, Metsä Group) require digital certificates of origin for every log.
- **Closed Loop:** It is impossible to launder stolen logs into the industrial supply chain because sawmills and pulp factories will not accept timber without a verified electronic trail linked to the forest owner's ID.

Who are the buyers and sellers of the token?

- **Buyers:** Retail investors seeking inflation hedges, crypto-native treasuries (DAOs) looking for yield diversification, and institutional investors seeking green/ESG compliant assets.
- **Sellers:** Early investors taking profit or liquidity providers engaging in arbitrage strategies.

Unique Selling Points

- **Global Market Access:** We remove the jurisdictional barriers of traditional real estate. Any investor, regardless of location, can gain direct exposure to high-quality timberland without the need for local residency, bank accounts, or complex cross-border legal structures.
- **Instant Liquidity:** Unlike traditional private forest funds that lock up capital for 5–10 years, these tokens can be traded 24/7 on secondary markets. This turns a historically "stuck" asset into a liquid instrument that can be exited at any time.
- **Asset-Backed Credit:** The token functions as high-quality collateral. Investors can use their forest holdings to secure loans in decentralized lending markets, accessing liquidity without being forced to sell their position or trigger tax events.
- **Boreal Climate Hedge:** Our focus on the Northern Boreal Zone provides a strategic macro hedge. While southern forests face increasing wildfire and drought risks, northern timberlands are more resilient and are projected to see increased biological growth as the climate shifts.
- **Low fees:** Traditional forest funds carry heavy overhead from manual appraisals, notary fees, and bank distribution commissions. By replacing human-led processes with automated data pipelines (LiDAR and API-driven inventories), we eliminate significant administrative drag and pass those operational savings directly to the investor through a substantially lower management fee.