

DigiEstate Pvt Ltd

Terms and Conditions for Intended Investors of Real estate fractions

(Under SECP Regulatory Sandbox Testing Letter of Approval)

Revision: 01 Aug 24, 2024

Dear Investor,

Welcome to DigiEstate, Pakistan's first marketplace offering real estate fractions through a Distributed Ledger Technology (DLT) enabled Blockchain based real estate tokenization platform, operated under the SECP Regulatory Sandbox.

DigiEstate is an innovative digital asset and real estate fractionalization solution that simplifies real estate investing through fractional ownership. We deploy the latest information technology developments uniquely to:

“Create a New Era of Investment by turning Assets into Digital Fractions, making them affordable and easily tradable within regulatory boundaries.”

“DigiEstate Private Limited” (DPL) is a Special Purpose Entity (SPE) responsible for managing and operating multiple properties. Sellers, whether individuals, entities, or legal persons/vehicles, can offer their properties for sale through real estate fractions or tokenization, subject to due diligence as per DigiEstate's Rules of Business. All such properties will be listed only after completing the due process under SECP guidelines.

Project Sponsors & Peers

DigiEstate, a DLT enabled Blockchain based real estate tokenization platform, is operated under SECP Regulatory Sandbox Testing Letter of Approval given to M/s Magna Engineering Pvt Limited. Magna Engineering Pvt. Ltd. ("MEPL") to engaged in the Regulatory Sandbox testing in joint venture with M/s First Paramount Modaraba ("FPM").

M/s Arif Habib Dolmen REIT Management Ltd (AHDRML) is offering their properties, in line with approval sought from SECP via LOA, providing clean-titled property and is part of the ecosystem.

M/s Central Depository Company is managing escrow accounts and custody of property offerings, maintaining separate escrow accounts for each property with ledgers and accounts for all properties individually.

M/s NCCPL is facilitating the ecosystem for real estate tokenization under sandbox testing.

Shariah Advisors

Mufti Najeeb and Mufti Farhan Farooq are Sharia Advisors for DigiEstate.

Salam Takaful

Salam Takaful will provide Takaful services for all offered developed or under-developed properties.

DigiEstate Platform

The DLT enabled Blockchain based real estate tokenization platform technology infrastructure is provided by an independent company, M/s Blockanica Technologies Pvt. Ltd.

With necessary customization of the platform as per SECP LOA issued to M/s Magna Engineering Pvt Ltd. the customized platform is called the DigiEstate Platform, powered by Blockanica Technologies. By using the DigiEstate platform, you agree to these Terms and Conditions, the Privacy Policy, Cookie Policy, and any other agreements referred to herein. Please read these terms carefully before using our services on the DigiEstate Platform Portal.

Financial Inclusion

DigiEstate offers a financially inclusive approach for the overlooked middle-class segment of society, previously excluded due to insufficient funds, while addressing issues like lack of trust and transparency. For example:

- **Before the Real Estate (RE) Fractionalization Regime in Pakistan:** Only individual investors could hold high-value assets, excluding a significant portion of small investors with limited investments from entering the market.
- **After the Real Estate (RE) Fractionalization Regime in Pakistan:** Upon fractionalizing an asset into smaller units, ownership becomes more accessible and tradable, facilitating easier liquidity.

DigiEstate operates with an ecosystem of peers as Solution Participant Organizations in the Digital Assets and RE Fractionalization solution under the SECP Regulated Sandbox Environment.

1. Definitions

- **DPL:** DigiEstate Pvt. Ltd., the SPE for operations and management of all properties listed on the DigiEstate Platform. The real estate management company for managing the DPL SPE is a joint venture between MEPL and FPM.
- **Blockanica Technologies Pvt. Ltd.:** The Blockchain platform enabled by DLT infrastructure, is provided by Blockanica Technologies Pvt. Ltd., for real estate tokenization (fractionalization) as per SECP sandbox testing guidelines for DPL, to operate the DLT enabled Blockchain based platform “DigiEstate” for real estate tokenization (fractionalization).
- **MEPL:** Magna Engineering Pvt Ltd, the primary operator of DigiEstate in the Joint Venture.
- **FPM:** First Paramount Modaraba, the primary technology provider of the DigiEstate Platform in the Joint Venture.

- **User:** Any individual or entity using the DigiEstate platform for the sale or investment in real estate.
 - **Token:** Digital representation of fractional ownership in a real estate asset.
 - **Smart Contract:** Predefined Terms and Conditions, which are executed automatically when the Terms and Conditions are fulfilled under the DigiEstate Platform.
 - **SECP/Regulator:** Securities and Exchange Commission of Pakistan.
 - **CDC:** Central Depository Company, acting as the Escrow Account Agent and Custodian of investor Tokens.
 - **NCCPL:** National Clearing Company of Pakistan Limited, acting as the settlement and clearing agent for trading of Tokens in Secondary Markets.
 - **Sharia Advisor:** Mufti Najeeb and Mufti Farhan Farooq are Sharia Advisors for DigiEstate.
 - **Salam Takaful:** Salam Takaful will provide Takaful services for all offered developed or under-developed properties.
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2. User Agreement (Property Seller/Token Investor)

By registering and using the DigiEstate platform, you agree to:

- Comply with all applicable laws and regulations.
 - Provide accurate and up-to-date information.
 - Acknowledge and understand the risks associated with real estate investments and blockchain technology.
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3. DigiEstate Platform Operation

- **DPL** facilitates the fractional ownership of real estate assets via tokenization.
- **MEPL** and/or **FPM** act as the implementers of the DigiEstate Platform solution, providing operational and technological support. MEPL and FPM are co-owners of DPL.
- **MEPL** and/or **FPM** are responsible for managing properties and ensuring compliance with SECP regulations.
- **MEPL** and/or **FPM** are responsible for identifying, evaluating, and performing due diligence on properties and sellers, registering and performing due diligence on investors, and issuing Tokens to investors.
- **DPL** is responsible for making agreements for investment, construction, property management, payment and receipt of property expenses or income, overseeing building maintenance, and making decisions for the benefit of the property.

In accordance with the principles of Wakalah (agency) in Islamic law, MEPL and FPM are jointly appointed as the Wakeel (agent) to provide various services directly or indirectly to the investors through the management of DPL and the DigiEstate platform, and to enter into multiple agreements with all stakeholders, including CDC, NCCPL, contractors, and third parties, for the benefit of the investors, in accordance with the terms and conditions set forth in this agreement, and in compliance with Shariah principles and regulations.

4. Investment Process

a. Initiation and Listing:

- **MEPL** and/or **FPM** initiate the process by identifying and listing properties for fractionalization.
- Due diligence and valuation of properties and sellers are conducted by **MEPL** and/or **FPM**.

b. Tokenization:

- Investors register on the DigiEstate platform and undergo due diligence.
- Upon successful completion of the offering round, the legal title of properties is transferred to **DPL**.
- Tokens are created and allocated to investors, representing fractional ownership.
- Tokens represent the ownership of the holder in the respective property.

c. Custody and Escrow Arrangements:

- **CDC** manages escrow accounts for investor funds and ensures the security of transactions.
- Separate escrow accounts are maintained for each property to ensure traceability.

5. Payment Process

Escrow Account Creation:

The **DPL** creates an Escrow Account with a designated bank for each property. Investors shall make payment of the investment amount directly into the designated Islamic bank account, the Escrow Account for the specified property. This account may attract Sharia-compliant halal daily, short-term, or TDR-based halal profits.

Fund Disbursement:

When the requisite amount is received in the respective escrow account for the value of the property, the Escrow Agent shall create and manage a mortgage charge in the name of the Custodian on your behalf. The Escrow Agent shall disburse funds from a specific Escrow Account only in accordance with written instructions received from **MEPL**. The disbursements shall include:

- Payment to sellers of real estate assets as specified by **MEPL** and/or **FPM**.
- Payment for expenses related to the Offering, including legal, administrative, and other costs as instructed by **MEPL** and/or **FPM**.
- Payment of refunds to investors if the Offering is not completed (tokens not sold).

Investor Responsibilities:

You understand that your investment carries risks, including the loss of investment. You will be responsible for fees and expenses related to property security, maintenance, Takaful, administrative expenses, platform fees, taxes, etc.

Privacy and Security:

DPL will make every effort technically possible to provide privacy, security, and confidentiality of your investment and will take all necessary measures to mitigate any cybersecurity risks.

Shariah-based Profits and Losses:

Any Shariah-based profit accrued on the funds held in the Escrow Account shall be distributed according to **MEPL** and/or **FPM**'s instructions to the Escrow Agent. Any gain or loss on properties or tokens shall be distributed among the investors in proportion to their respective shareholding ratio in the asset. The distribution of gain or loss shall be determined after deducting all related expenses, including but not limited to:

- Management fees
- Operational costs
- Maintenance expenses
- Taxes and levies
- Other expenses incurred in the management and operation of **DPL** and the DigiEstate platform

The expenses shall be deducted in accordance with the budget and in compliance with Shariah principles.

Takaful Arrangements:

All assets in the portfolio shall be subject to Takaful cover as arranged by **MEPL** and/or **FPM**. The premiums for such Takaful arrangements shall be borne by the respective investors in proportion to their respective shareholding ratio in the asset.

Tax Compliance:

The investors shall be responsible for their own tax compliance and liabilities. **MEPL** and **FPM** shall provide all necessary documentation to the investors for filing their respective tax returns.

Platform Fee:

MEPL and **FPM** shall charge a platform fee for providing access to the DigiEstate platform, conducting due diligence, listing properties, managing the Escrow Account, tokenization, and other related services.

Exit Strategy:

Investors may sell their Tokens on the DigiEstate platform through a secondary market or offer them for sale to other investors through the platform.

6. Termination

This agreement shall terminate upon the liquidation of **DPL**, upon the completion of the respective project(s), or in accordance with any applicable regulatory requirements. Upon termination, **MEPL** and/or **FPM** shall distribute any remaining assets to the investors in proportion to their respective shareholding ratio.

7. Indemnification

The indemnification clause will be valid only as per the limited period set forth by the LOA with full oversight by the SECP in the Regulatory Sandbox.

The **MEPL** and/or **FPM** shall indemnify, defend, and hold harmless the Investor from and against any and all claims, damages, losses, liabilities, costs and expenses (including, without limitation, reasonable attorney's fees and expenses) arising out of or in connection with this Agreement, except to the extent that such claims, damages, losses, liabilities, or expenses are caused by the gross negligence or willful misconduct of the Investor.

The Investor shall indemnify, defend, and hold harmless **MEPL** and/or **FPM** from and against any and all claims, damages, losses, liabilities, and expenses (including, without limitation, reasonable attorney's fees and expenses) arising out of or in connection with the gross negligence or willful misconduct of **MEPL** and/or **FPM** in the performance of its duties hereunder.

8. Governing Law and Jurisdiction

This agreement shall be governed by and construed in accordance with the laws of Pakistan, and any dispute arising out of or in connection with this agreement shall be subject to the exclusive jurisdiction of the courts of Karachi.

9. Force Majeure

MEPL and **FPM** shall not be liable for any delay or failure in the performance of their obligations under this agreement if such delay or failure is caused by circumstances beyond their control, including but not limited to natural disasters, war, civil unrest, strikes, or government actions.

10. Amendments

This agreement may be amended or modified only by a written agreement signed by all parties involved.

Disclaimer: The information contained in this document is subject to change and does not constitute an offer or solicitation to sell or buy any securities or other financial instruments. It is intended for informational purposes only. The terms and conditions outlined above are subject to approval by SECP and other relevant authorities.
