

# **B4Real White Paper – Integrating the Real Estate and Digital Currency Markets**

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*Abstract: a token-centric platform for the fair and safe exchange of digital wealth for real estate assets, supported by rigorous mechanisms to ensure a seamless experience for users on all sides of a transaction. The platform is relatively blockchain-agnostic, allowing for the widest possible range of users. Existing commercial networks are utilised to create an adoptive critical mass before launch, and planned features take advantage of the full range of commercial applications which DLT allows.*

## **Introduction**

Since the development of blockchain technology by the pseudonymous Satoshi Nakamoto in 2008, cryptocurrencies and other token-based economies have proliferated at incredible speed. These new platforms of wealth generation have created unforeseen and revolutionary opportunities for the redistribution of wealth and assets, but are also rightfully seen as the most volatile and risky of any asset class in human history (save, perhaps, non-utilisable/speculative ‘bubble’ assets such as tulips). While these fluctuations in value are expected to settle over time, many holders of digital wealth are rightfully seeking to diversify their holdings into other sectors.

One of the most attractive asset classes for these holders is property. As a finite resource, property conforms with many types of cryptocurrency in the sense that it is a somewhat deflationary asset – while there may be market corrections, and new and more efficient structures may increase the overall potential of a given block of land, no new land can be created or brought onto the market. While it is still subject to market cycles and induced volatility, on the whole property represents a stable and attractive platform into which crypto holders may diversify and therefore reduce their risk profiles.

As with any multi-sided marketplace, a balance of buyers and sellers must be achieved in order to achieve both growth and stability. There are currently a number of brokers and simple marketplaces which offer to facilitate real estate transactions using cryptocurrencies (primarily BTC) - however, these have not achieved any real degree of mainstream acceptance or visibility, owing to a failure to offer significant levels of stock, as well as a lack of trust (both perceived and real) and understanding of the mechanisms, regulations and indeed advantages such a marketplace may offer its users.

In short, the key missing factors for these marketplaces have been a critical mass of both buyers and vendors to achieve self-sustainability and organic growth, and a connective framework to provide a seamless transactional experience for all parties, from the introductory and onboarding phases through to settlement and ownership transfer.

However, B4Real's extensive industry connections provide a level of adoption by vendors, agents, developers and supporting service providers (legal, accounting etc) which is heretofore unseen in this marketplace. Alliances with blue-chip trad-fi lending providers solve questions of fiat on- and off-ramping while removing barriers for both first-time purchasers and those looking to significantly leverage their digital collateral.

Similarly, the provision of DCE services, PEXA-registered escrow wallets and services, and tailored legal handbooks will allow agents and developers to operate in complete security, in turn being able to offer that trust to sellers who may be cautious about utilising the nascent crypto market.

Lastly, the proliferation of a newly crypto-wealthy class of investors and holders during 2020 and 2021 creates a highly motivated class of buyers, particularly in light of the recent bear trends of 2022. These factors combined provide a strongly advantageous position from which to launch the B4Real platform.

As the necessary components of such a platform are already existent, no major technological breakthroughs are required to achieve the requisite level of market penetration. The development of various forms of distributed ledger technology continues apace, as does the implementation of Web 3.0 standards. Instead, we seek to focus on providing the frameworks to bridge this evolving form of emergent finance with traditional legal, commercial, and financial structures, providing legitimacy, acceptance, and direction to the crypto and blockchain sectors, while imbuing legacy platforms and operators with a way to access new paradigms and rejuvenate their outlooks.

## **The Platform**

B4Real is best conceptualised as a vertically integrated systems platform, with each tier supporting the core functionality of facilitating real world land and property transactions involving digital wealth. The initial deployment of the platform will cater

exclusively to the Australian market, with targeted international rollout to follow subject to the results of legal and commercial feasibility studies within each territory.

## The Marketplace

At the core of the platform is the marketplace. This will function in a similar manner to what now may be termed legacy marketplaces, by providing both a web app and a mobile app which allows buyers to browse, inspect and apply for properties. From a consumer perspective, strong user interface design guidelines will create an environment which is both familiar and appealing. However, integrated into the interfaces will be crypto-specific touchpoints, such as the ability to view property prices or required deposits in the digital currency of their choice, as well as guides and educational tools designed to familiarise users with the methods and mechanisms of conducting these forms of transaction, and best-practice outlines to protect users and their holdings from either bad actors or simple accidental loss.

These apps will also be utilisable by those on the selling side of the marketplace, by providing anonymised data on user patterns and behaviours, market trends (within both the property and crypto industries) and other trackable metrics, as well as offering sellers a variety of methods to improve visibility to buyers via premium advertising options.

These will be supported by a commercial portal, in which agents can connect with vendors and developers to create new networks and opportunities, track their interactions with potential buyers via a custom CRM dashboard, and access some of the crypto-specific assets which will be offered to decrease friction and ensure compliance and security for all parties (see below). Stock management, audience targeting, lender interactions and other requisite functions of the real estate industry will be integrated, as will those tailored for the cryptocurrency industry such as currency conversion and management, block explorers and more.

The marketplace will be supported by an extensive network of legal advisors, who have created proprietary handbooks for agents and developers which outline the specific mechanisms by which these forms of transactions can be safely conducted. These include contract templates which have been legally assessed for compliance with both state and national laws, directions for utilising registered escrow services provided by B4Real, and outlines and analysis of the relevant laws and regulations which may be unique to these transactions. There will also be provision for vendors, agents and developers to receive support as required from our strategic partner network of legal advisors, which - dependent upon the format and degree of sophistication and input required - may be provided gratis, or subsidised through subscription fees and usage of the B4RE token as a payment mechanism.

The strategic partner network also includes a considerable selection of specialist taxation advisory services, with strong grounding in crypto-related tax laws. These partners have also contributed to the establishment of the standardised frameworks

contained within the handbooks, and are also able to assist both buyers and sellers to ensure compliance with the nebulous Australian taxation system as it pertains to digital wealth.

The B4Real escrow service factors into the provision of legal assistance for sellers. As there can be significant delays between the formalisation of a transaction and final settlement, a trusted intermediary is required to ensure any deposits are held securely, mitigating risks for both parties in the event of an unforeseen change in circumstance such as developer liquidation.

As B4Real is a Black Tie Digital brand, the platform benefits from AUSTRAC certification as a Digital Currency Exchange, a licensed Independent Remitter, and can leverage internal Licensed Real Estate Agent status via our sister company YA Real Estate. Black Tie Digital also holds an intermediary authorisation under Novatti Pty Ltd's Australian Financial Services License, and has finalised an application for direct Corporate Authorised Representative status via Orion Capital Partners. While all of these accreditations demonstrate strong reliability and compliance, the platform has also engaged in discussions with PEXA, the government-supported industry standard for digitised real estate transactions and settlements, to register and monitor escrow wallets, providing a further layer of transparency and accountability. This unique arrangement ensures all parties are protected to the strongest possible degree.

As the current regulatory environment in Australia (as pertaining to taxation law and obligations) does not allow for any form of hedging via disposal (ie digital currency conversion) to remove volatility from deposits, escrow services will be offered through a variety of mechanisms, selected to reduce risk to all parties while avoiding premature CGT event incursion:

- Property transaction in which settlement is expected within 90 days will accept a full range of digital currencies under escrow, including volatile assets such as BTC. Where these escrow deposits are not in the form of stablecoins or fiat, a 10-20% margin (dependent upon market conditions and time to settlement) will be required in order to hedge against value loss.
- Escrow deposits for property transaction in which settlement is expected in greater than 90 days (particularly for off-the-plan purchases) will only be accepted in the form of stablecoins or fiat (the latter of which can be provided by buyers holding volatile digital assets via collateralisation through the B4Finance platform).

The next marketplace support system is our registered Digital Currency Exchange. Developed as part of our sister platform, B4Biz, this is a key solution provider to ensure that buyers and sellers can transact in the currency they choose - digital or fiat. While in the short term the DCE will simply utilise its licensed status to legally cover all remittance while accessing external liquidity and currency conversion capabilities, it is anticipated that the liquidity induced by engaging with the real estate industry will lead to independent operation within a short period of time (although there is currently no intention of the DCE acting as a traditional consumer-facing exchange).

Operating a DCE allows B4Real to directly remit funds to participants in transactions while ensuring legal compliance, allowing the platform to act as a nexus between the DCE entities, lenders, escrow wallets, and buyers and sellers, and further cementing B4Real's position as a trusted industry stakeholder.

Buyers will be able to transact (whether outright purchasing or borrowing using digital collateral) using a variety of digital currencies, with B4Real able to convert said currencies as desired by the receiving party. While the published number of accepted currencies is somewhat restrictive when assessed against the crypto market as a whole, it is important to note that as B4Real effectively acts as an intermediary between marketplace participants, the platform is chain-agnostic - the only limitations on currencies which can be utilised pertain to their legal status, AML/CTF risk status, liquidity and perceived volatility, and ability to be easily traded via regulated DCEs.

Should a buyer wish to utilise a currency not currently listed as accepted, individual assessments can be made and OTC transactions conducted within the existing framework, subject to the aforementioned conditions as well as the acceptance of the transactional counterparties.

The blockchain-based currencies currently accepted by B4Real include:

- BTC (Bitcoin)
- ETH (Ether)
- MATIC (Polygon)
- ADA (Cardano)
- USDT (Tether)
- USDC (USD Coin)
- XEC (eCash)
- DASH (Dash)
- BCH (Bitcoin Cash)
- DOT (Polkadot)
- B4RC (B4Real Credits)
- LTC (Litecoin)

Additionally, the platform can accept the following centralised digital currencies and trade credits, subject to vendor approval:

- BTC (BBX Trade Credits)
- UC (Universal Currency Trade Credits)
- B4\$ (B4Biz Treasury-Backed Trade Token)

Once listed, the platform will also accept the following Black Tie intrinsic utility tokens:

- B4RE (B4Real utility token)
- B4B (B4Biz utility token)

The platform intends to assess and (if approved) implement transactional capabilities for other high-volume digital currencies shortly, including SOL (Solana), DAI (MakerDAO's stablecoin) and others.

The final layer of support comes from the extensive network of blue-chip lending platforms who have partnered with B4Real to provide the high levels of liquidity which are inherently demanded by the property sector. Our partnerships with several private capital providers mean that both Australians and foreign investors can access mortgages which are secured and regulated under the highly regulated Australian financial system. We have currently secured exclusive distributorship rights from Orion Capital Partners via our brokerage partners Pegasus Capital Advisory (see 'B4Finance' below for more details) and are in late-stage negotiations with several other major capital providers.

By providing the requisite collateral management and conversion services and ensuring omnifaceted compliance at all levels of operation, these traditional finance service providers can integrate and access a dynamic new market segment while remaining focused on their core directives.

Combining all of these support mechanisms with an established network of property developers, real estate agencies and other tertiary industry participants, will allow B4Real to become a cohesive and holistic platform for managing all aspects of this new form of property acquisition and ownership transfer.

Anticipated revenue sources come from several streams. The primary income source is anticipated to be the sale of B4RE tokens, which serve to incentivize and reward continued usage of the platform for both buyers and sellers - more details are contained within the following section, 'The Tokens'. Incomings are projected via the following fund inflows:

1. Agents and sellers will be required to pay a small subscription cost, which will allow them to offer a large quantity of properties for sale. This will be up to two orders of magnitude lower per property than the costs associated with listing properties on existing marketplaces, in order to encourage adoption of the B4Real platform and the initial acquisition of stock. This subscription will enable access to the resources outlined above, although access to more sophisticated data and resources may require a premium access tier.
2. Agents and sellers will also be able to pay to create premium listings to increase visibility and reach.
3. Instead of charging significant up-front rates to sellers to engage with the platform, sellers will be charged a small fee of up to 0.6% upon settlement. This can be tracked through our escrow wallets and the provision of associated services such as legal and conveyancing. By utilising a commission-based model, B4Real can further encourage adoption by sellers, the costs of which can easily be offset by gaining exclusive access to a highly motivated market of sellers.
4. Buyers utilising the lending services offered by B4Real will be subject to market-competitive interest rates, with the profit from the loans further funding operations via a revenue share model enacted with the lending providers.

It is important to note that all costs incurred by sell-side participants can be reduced significantly by the usage of the B4RE token as a payment currency. In the case of interest incurred on mortgages by leveraged buyers, a small degree of incentivization through reduced APR will be offered to those buyers holding B4RE.

## The B4RE Utility Token

The B4RE token is designed as an exclusively utility-oriented token for use within the B4Real platform. While it is inevitable that tokens operating on a decentralised ledger such as Polygon may and will be used by holders and the greater community in a variety of dApps and for a variety of purposes, it is intended that the inherent advantages of utilising the token within its native platform should be appealing enough to retain the vast majority of circulating supply within a stakeholder network.

A healthy token economy will be induced by harnessing two competing forces - the utilisation of the token in a transactional sense to induce dynamic liquidity within the market, and a staking mechanism which provides tangible benefit for holders in the form of lowered APRs on loans as well as a yield in B4Real Credits which can be used as payment towards properties.

Firstly, sellers (agents, vendors and developers) will be incentivized to acquire B4RE by offering significant reductions on fees paid. Subscription fees, which are intended to start as low as \$500 if paid in AUD, will be offered at a reduced rate of \$350 AUD equivalent if paid in B4RE. Higher subscription tiers will attract similar levels of discounting if B4RE is utilised. Similarly, costs associated with premium listings and increased reach and visibility will also be reduced if B4RE is the payment currency. Finally, as part of settlement, sellers will be required to pay a fee of 0.6% of the total transaction when paid in AUD or other accepted currencies. However, this will be reduced to 0.4% when utilising B4RE. For those conducting high volume and/or high-value transactions within the platform, this represents significant savings.

As outlined in the following section, 'The Market', B4Real's pre-existing relationships with significant industry participants in the Australian property sector allow for a large quantity of real estate stock to be pre-submitted before the platform hard launch. As the digital economy continues to fluctuate and holders search for methods of diversification and securitisation of their digital wealth, it is anticipated that a large number of motivated buyers will be attracted to the platform as a unique and secure portal for entry into the property market. This is projected to be compounded by the expected Australian governmental policies of the next few years, which are likely to incentivise immigration and foreign ownership in the light of COVID-19's induced population immobility.

The second mechanism is designed to counterbalance the first, by encouraging leveraged buyers to stake their tokens in exchange for a lowered APR on their loans. In a simple sense, the general crypto economy encourages staking on platforms for a variety of reasons (PoS validation, liquidity provision etc) and through a variety of mechanisms - almost all of which reward the stakers with a return in the form of more tokens, whether of the same type that were staked, or another token.

The B4Real platform intends to reward a particular class of holders - leveraged property buyers - for long-term staking, by offering to charge lower interest rates for those who lock up their tokens for the term of their loans. Even a reduction of 0.1% over a standard mortgage term represents significant savings for buyers, and therefore it is anticipated that this mechanism will prove to be a popular option for buyers within the platform.

The exact value required to be staked will be disclosed closer to the platform launch date but is intended to be low enough that it remains accessible to the largest possible number of buyers. Any loans offered through the platform will also contain options for an increased principal amount in order to cover B4Real acquisition for non-holding buyers. B4RE held for the purpose of accessing improved mortgage interest rates will be staked in the staking smart contract, the details of which can be found below in 'The Staking Contract and B4RC'. Holders who do not wish to participate in the staking mechanism will be able to stake their B4RE in a separate non-custodial smart contract.

The smart contract will also govern interest-reduction mechanisms and being non-custodial allows for borrowers to release their holdings early as required. This allows for capital withdrawal at the cost of mortgage APR increase in order to cover unexpected cash-flow requirements (or similar events), but also means that (subject to guidelines and requirements) borrowers can release capital should their deposits increase in value over time. These mechanisms, taken in combination, will encourage extreme long-term staking (measured in years or decades), coupled with additional liquidity provision as required.

Exchange liquidity will be funded by a flat 10% sacrifice of all fees paid to B4Real by sellers. This mechanism will be coded directly into the B4RE token, which will check the receiving address against a whitelist of pre-approved wallets, and automatically divert 10% of any fee-payment transactions back to a designated holding wallet. The whitelist will be designated within a contract address which is controlled by a multi-sig wallet, with an association of key stakeholders possessing the private keys.

From there, half of the B4Real will be converted into the required trading pair, and the resultant liquidity staked on a DEX such as Quickswap. The resultant LP tokens will be secured in another multi-sig enabled wallet with similar distribution of private keys amongst key stakeholders, ensuring a healthy liquidity pool with minimal slippage. A governance protocol will be developed to ensure that the liquidity is never removed except in situations requiring drastic rebalancing of the economy.

The token will be deployed on the Polygon network, providing for high-speed and low-cost transactions within a secure and trusted network. It is intended that only the LP-removal mechanism be coded within the token's contract, resulting in a clean and widely accepted token. The code has been audited by a reputable specialist blockchain cybersecurity firm (Quill Audits), with the results of the audit published on the B4Real website.

While the creation and utilisation of a liquidity pool on a DEX will allow for further staking and yielding opportunities for holders, and the nature of decentralised finance will provide other avenues to leverage and utilise B4Real holdings, it is anticipated that the design of the platform, coupled with the strong utility of the token and the intended

targeted marketing to holders with a vested interest in the functionality of the platform, mean that the greater percentage of the circulating supply should remain within the B4Real economy and utilising B4Real facilities and mechanisms.

## The Staking Contract and B4RC

In line with the B4Real platform's ethos of assisting as many individuals as possible buy their own homes, we have developed a unique staking contract protocol, which rewards participation and engagement with the B4Real platform by token holders. The staking contract accepts B4RE tokens via a standard browser-accessible Web3 UI, and provides rewards in the form of B4RC, or B4Real Credits, at a rate calculated as an established annual yield. These credits can then be used by holders as part-payment towards a wide range of properties available from our real estate development partners.

It is our significant networks, history and relationships with our development partners which allow us the leverage to enable this payment format. By acting as a volumetric sales aggregation platform and a marketing distribution channel to a motivated captive market, the B4Real platform and the Credit Staking contract will allow for both significant reductions in operating costs and increased revenue potential for developers, thereby incentivising the uptake of B4RC payment acceptance by owner-vendors.

When used as part-payment towards a property purchase, one B4RC will always be calculated as contributing \$1 AUD towards the property.

There are no fees to stakers, holders or users of B4RC, other than developers who accept B4RC as payment. In this case, 100% of all B4RC which is used towards payment on a property will be burned by the property vendor upon settlement, avoiding the creation of an ever-inflationary token economy. B4Real will track quantities of B4RC burned per vendor, and in turn allocate benefits to those vendors at a fixed ratio, with a primary focusing on allowing discounted access to overall B4Real platform services and functions (particularly with a view to allowing fiat payment for services at an equivalent rate to payment in B4RE).

The B4RC staking contract yield will be calculated based upon the valuation (in AUD) of B4RE upon listing, with B4RC always being calculated at \$1 AUD per token. Prior to the B4RE token being listed, B4RE will be calculated at a fixed rate of \$0.50 AUD per token, in line with the crowdsale price and target listing price.

Listing is initially anticipated to take place on a P2P CEX such as Elbaite, with whom discussions have already taken place. This allows for fair price discovery by the market without the requirement of significant liquidity provision, and limits the necessity of market making services. It also provides a conveniently understandable UX (relative to a DEX, for example) through which potential B4RC buyers can interact with the economy and easily on-ramp fiat holdings. A DEX listing will also be pushed forward concurrently.

The yield from the staking contract has been initially calculated at a rate of 20% APR. This figure has been set by Black Tie Digital after careful consideration of the market capacity, potential liquidity influx and anticipated demand. This figure may change in response to market pressures, particularly in relation to the market value of B4RE once listed.

However, in order to mitigate some of the volatility inherent to the crypto economy, the smart contract will also set a floor price of \$0.50 AUD to the staked B4RE tokens. Should the market value of B4RE rise above this price point, the staking contract will recognise and reflect the market valuation. In this way, it is anticipated that the staking contract will offer an unsurpassed method of reward provision to members and supporters of the B4Real platform, with a strong focus on assisting those entering the property market such as first home buyers.

As part of the initial iteration and deployment of the overall B4Real platform and feature set, a limited-functionality marketplace will be deployed while the core marketplace is under development, to allow for OTC property transactions to be performed utilising the yielded B4RC. An MVP showcase of available properties is currently live at [homes.b4real.digital](https://homes.b4real.digital).

## The Black Tie Service Hub

As both a precursor to the main marketplace, as well as a concurrent ongoing offering, the Black Tie Service Hub is designed to provide ongoing back-end support to primarily real estate and finance industry participants who want to engage with the digital asset economy. The services available through the Service Hub will be integrated into the B4Real platform as it is built out, but the operation of a separate Service Hub will allow for platform engagement by non-real estate industry entities, or by real estate industry participants who choose not to utilise the B4Real marketplace as a channel.

Services offered directly to clients via the Service Hub will include:

- Digital Funds Escrow, Conversion and Remittance
- Asset-Backed Security Token Services
- Crypto-Backed Commercial Loans
- Corporate Crypto Education Services
- Crypto-Focused Asset Marketing Services
- Cryptocurrency Due Diligence Checks (AML/CTF) via partner providers

While the development of the Black Tie Service Hub will be branded directly under Black Tie Digital in order to allow for effective engagement by a variety of industries and sectors, it is anticipated that the majority of participants will come from the property sector, with the largest secondary contingent being from various financial industries (including and especially brokers, mortgage managers and lenders with exposure to the real estate industry and/or the crypto economy).

The prioritised deployment of the Service Hub not only allows for increased flexibility in targeted offerings, but also allows for shorter rollout timeframes, as an early iteration of the overall platform with highly leverageable functionality.

The Service Hub itself will integrate where possible with client CRMs and databases via APIs for more efficient access, tracking and increased transactional clarity, but the broad scope of potential clients (and their associated technologies of choice) will requisite a large degree of functionality remaining within the Service Hub and its associated feature set (dashboard etc). Interoperability prioritisation will be given to functionality which will be directly integrated into the B4Real platform, and therefore the real estate-specific applications and tools to which the B4Real platform will in turn be linked.

## B4Finance and Crypto-Backed Lending

The requirement of lending services to power the continued growth of any real estate market is an established fact. However, the unique requirements of the digital asset economy (as well as its immature level of external/institutional economic integration) present unique challenges, as well as unique opportunities. To this end Black Tie Digital have established B4Finance, with an initial focus on the provision of lending services to holders of digital wealth who are unable to access liquidity through traditional mechanisms.

An exclusive distributorship arrangement has been signed with Pegasus Capital Advisory (representing Orion Capital Partners) to roll out the B4Finance Digital Asset Lending Program. \$1B AUD has been secured in the first liquidity tranche for lending against digital assets, with significant further capital readily available.

From within the framework of the B4Real platform, the most important use case relates to digital asset-backed property lending (mortgages). By providing a unique dual-phase lending arrangement, borrowers can:

1. Collateralise their digital assets at LVRs of up to 75%, and fixed rates as low as 4.5% pa (accurate as of 15/11/22);
2. Use the resultant liquidity as a deposit against property (subject to approval and terms & conditions).

The Digital Asset Lending Program is structured around bullet lending (with zero repayments due until loan maturity) over terms of between 12-48 months and is a non-recourse loan requiring zero guarantees or additional assets from the borrower – as the loan is over-collateralised, both parties benefit from a high degree of confidence and security in projected outcomes. Margin calls, if issued, allow for a five-day collateral top-up period, and if executed do not incur any additional expense on behalf of the borrower, while removing any remaining leverage from the unlocked liquidity.

In light of this (alongside the PIM Group's background and relationships within the real estate and finance sectors), B4Finance is able to structure the overall property lending package to allow property buyers to enter the market by collateralising as little as 15% of the property's value in digital assets. The custodial nature of the initial deposit avoids the incursion of CGT events and retains complete upside potential for the borrower once their loan is serviced.

The intention is for mortgagees to revalue their properties at the maturity date of the digital asset loan and redraw on available capital (which in many cases will have increased due to both property value appreciation and increased equity from mortgage servicing) to unlock their digital asset collateral. In this format, it is anticipated under all market conditions outside of severe and extended cross-market economic downturns borrowers should be able to return most or all of their collateral within 48 months.

While no leveraged investment (such as property acquisition) is without risk, the non-recourse nature of the underlying loan means that even in the worst market conditions, the primary ramification for borrowers becomes the liquidation of their digital assets, which ultimately leads to the dissolving of the outstanding debt related to the funds used to place a deposit on the acquired property – the mortgage over which remains unaffected (outside of market condition impact).

Taken as a whole, the B4Finance Digital Lending Program has been structured to be the most attractive option globally for holders of digital wealth to diversify into the real estate market.

While it is outside of the scope of this White Paper (and its focus on the B4Real Platform), it is pertinent to note that the B4Finance platform has also already attracted significant interest regarding both personal and business lending. For further information, see [b4finance.digital](https://b4finance.digital).

## Tokenised Property Portfolios and Development Financing

One of the core promises of blockchain technology was the democratisation of opportunity, alongside the disintermediation of financial and other markets. To this end, there has been a lot of focus on the tokenisation of real estate assets over the preceding five years. With a few notable exceptions, however, no platform has achieved what could reasonably be called a critical mass regarding user adoption, and therefore the expectant implications for the real estate industry have remained unrealised.

The B4Real platform is being developed with a strong focus on achieving this outcome, through a mix of judicious technology application and significant industrial authority and networks. The platform will have a permissioned marketplace focused exclusively on tokenised real estate opportunities via STOs (security token offerings), with an ethos of lowering barriers to entry and providing heretofore inaccessible leverage opportunities directly to a wide range of investor classes.

DLT solutions are currently being investigated for efficiency, security, compliance and appropriateness with regards to digitally securing ownership records for securitised equities. The tokenised RE marketplace (and the associated security tokens) will have a paramount focus on:

- Security of customer funds and assets (including via traditional and/or novel mechanisms such as self-regulating blockchains incorporating anti-forking measures, as well as diverse and/or permissioned validator networks) with a strong emphasis on self-custody;
- Compliance with governmental and regulatory requirements (including via forced KYC protocols, dual-sided transaction signatures, permissioned transaction rulesets etc);
- Interoperability with both extant and emergent DeFi protocols and Web3 standards (to as great a degree possible while still maintaining principal focus on the previous outcomes).

Two major barriers have been identified as preventing large-scale market adoption of tokenised real estate to date. These are:

- A lack of attractive investment opportunities for all investor classes without significant knowledge of (or experience in) particular real estate markets. As an example, the vast majority of tokenised fractional real estate opportunities available to retail investors in the current market offer investment into single dwellings, often with uncertain yields and located in areas of geographic unfamiliarity. This has resulted in a lack of investor confidence, prohibiting uptake.
- A high barrier to entry for retail investors looking to acquire interests in property portfolios, with many options only being open to investment by wholesale or sophisticated investors, and others requiring minimum investments of ~\$10,000 AUD or above.

B4Real seeks to solve these issues through a variety of mechanisms. Firstly, the fractional marketplace will be targeted towards providing offerings of two particular formats of real estate investment – new development funding, and high-value diversified portfolios.

Access to a diversified pool of potential investors has become increasingly attractive to property developers and builders looking to fund new developments, due to the recent (late 2022) increases in interest rates and associated reduction in available capital from traditional financiers. By opening these opportunities to investor classes who would traditionally be excluded through lack of awareness, ability or funding volume, a mutually beneficial outcome is envisaged by which smaller investors have access to unprecedented capital growth potential, while development operators enjoy access to a wider range of funding sources at attractive rates.

This potential is compounded when taken in the context of the additional development funding options which B4Real is able to negotiate with our private capital providers via the B4Finance platform, the backing of whom can ensure funding requirement fulfilment for both investor and developer certainty.

Secondly, existing property is also able to be tokenised for resale – however, the B4Real platform will have a strong focus on the tokenisation of property funds and portfolios, rather than individual properties, with a preference for offerings which hold a diversified selection of assets. This allows significant potential downside mitigation for investors by hedging against negative price action across any particular geographic region or asset class, similar to the mechanisms by which index funds ameliorate risk by allowing investors to ‘buy the market’.

B4Real will also endeavour, where appropriate, to structure tokenised offerings at a price point which allows ongoing/repeated acquisition by qualified retail investors. The exact nature of the legal structures required to implement this strategy is yet to be finalised and may likely vary dependent upon appropriateness for each individual STO. The ongoing evolution of the Australian regulatory space will also necessitate dynamic responsiveness for maximal efficiency – for example, the recently announced CCIV (combined corporate investment vehicle) structure is in many cases projected to be a more attractive and versatile option than a traditional MIS (managed investment scheme). Therefore, further details will be forthcoming upon platform deployment and the release to market of individual offerings.

Outside of the increased market size, a lowered entry point also provides several attractive ongoing strategies when integrated with the capabilities of both decentralised finance and on-chain non-custodial trading automations. Of particular note is the ability to create ‘drip-feed’ investment strategies, whereby a percentage of yield from external DeFi investments is automatically allocated into tokenised real estate. – a strategy which is anticipated to be considerably more attractive when directed towards investment opportunities with both attractive growth and yield characteristics and diversity-associated lowered risk profiles, such as those described previously.

Further, DeFi also offers increased yield potential for investors by potentially allowing for collateralisation of property tokens to access the underlying liquidity in order to generate further yields, while still retaining the property-associated dividends. This may be facilitated by depositing security tokens into smart contracts which mint liquid staking tokens in response, with the security tokens able to be retrieved by the holder of the associated liquid staking tokens. In this manner, custody and regulatory compliance may be maintained by the authorised holder.

Similarly, it is anticipated that (subject to legal advice) dividends associated with security tokens will be distributed on-chain via stablecoins to security token holders, as opposed to fiat disbursements. It is a Black Tie ethos that maximal integration with the DLT economy will provide for the greatest ongoing benefit and opportunity, and the leverage opportunities and increased efficiency provided by on-chain dividend payments far exceed those afforded by traditional measures.

Investigation into these integrations and capabilities are ongoing. However, it is of tantamount importance to note that B4Real will not enact any capabilities or mechanisms which could lead to security or compliance breaches. Additionally, all token offerings will be entirely compliant with all Australian and international regulations, including due diligence checks, risk disclosures and other requirements.

Lastly, the negotiations towards acquisition of the requisite licensing (primarily security/MIS authorisation under an AFSL) have progressed to late stages with our private capital and financial services partners and are expected to be finalised by early 2023 at latest.

## The Tokens

Token Name: B4Real

Ticker: B4RE

Max Supply: 50M tokens

Max Circulating Supply at Listing (including seed round): 20M tokens (40%)

Allocation:

- 10M (20%) seed round
- 10M (20%) crowdsale
- 5M (10%) allocated for future sale revenue and community rewards via a bonding curve contract (see note below in 'Special Vesting Schedule')
- 5M (10%) marketing
- 5M (10%) development
- 3M (6%) community
- 5M (10%) team
- 3M (6%) partnerships, advisors and ambassadors
- 3M (6%) liquidity
- 1M (2%) bug hunts

Pricing:

- Seed round A: \$0.20 AUD (5M tokens)
- Seed round B: \$0.30 AUD (5M tokens)
- Seed round C: moved to 'Special Vesting Schedule in response to market conditions'
- Crowdsale and listing: \$0.50 (10M tokens)

Vesting Schedule:

- All seed round sales vested until 90 days after token listing (Jun-Jul 2023)
- All tokens held for internal use (Marketing, Development, Team) will be vested within a time-locked smart contract, releasing 5.55% of allocated tokens every month for eighteen (18) months after listing.
- Special Vesting Schedule: The 5M tokens which are allocated for future sales revenue and community bonuses will be vested within a time-locked smart

contract for six (6) months after listing. At the end of this period, these tokens will be re-vested into a smart contract which uses on-chain oracles to track price movement across all exchanges upon which B4RE is listed.

The smart contract will release 200,000 B4RE every time the token value increases by \$0.20 AUD (tracked utilising a high watermark format), of which 50% will be returned to B4Real, 40% redistributed to B4RE holders (with allocation determined by percentage of circulating supply held), and the remaining 10% provided to charitable organisations (with allocation determined by application and lottery as needed). This is intended to show a commitment to sustainable growth over time, as well as rewarding community members for their early-stage support.

The starting value will be determined at the time of release from the initial vesting contract but will be no less than \$0.20 AUD greater than the exchange-listed value at that time. The initial time-locked vesting period is required to allow for the token to be listed with multiple exchanges in order to utilise fair and transparent oracle protocols.

Blockchain: Polygon (ERC-20)

Mechanisms: 10% assignment to liquidity provisions from any fee-paying transaction received by designated B4Real wallets

Token Name: B4Real Credits

Ticker: B4RC

Max Supply: unlimited

Max Circulating Supply at Listing: unknown

Allocation:

- 100% of supply allocated to community members

Pricing: initial DEX listing will be calculated based on price discovery after P2P CEX listing, with an anticipated range of \$0.50-\$0.80 AUD

Vesting Schedule: N/A

Blockchain: Polygon (ERC-20)

Mechanisms: 100% of tokens used as payments towards properties sent to burn address

## **The Market**

As this is a technical outline of the mechanisms and functions of the B4Real platform, it is not intended to conduct an exhaustive analysis of the state of the crypto market, nor that of the Australian and/or global real estate markets..

However, in order to fully conceptualise the mechanisms and relationships by which the platform (and the network which it both creates and relies on) intends to function, it is important to understand who the key stakeholders are, and how it is intended to utilise their support in order to achieve a self-sustaining critical mass of users within a short period.

The B4Real platform's position as a project managed by Black Tie Digital, itself fully owned by Progressive Investment Management (PIM), allows significant leveraging of extant commercial networks. For context, PIM has already concluded over 5,500 property transactions during the 24 months prior to publication of the first version of this document (Jan 2022), over half of which were conducted using digital currencies as a percentage of payment and/or deposit. This puts the B4Real platform in the unique position of establishing a novel market niche while already having experience within that niche.

These transactions were to a large degree enabled by PIM's long history of relationships with property developers. There are over 200 such firms in Australia who have conducted business using PIM's services, which provides an extremely attractive market for the B4RE seed round sales. As of January 2022, B4Real had only approached four property development firms. However, these companies have agreed to list a total of 25,000 units of stock (land and/or property) per annum on the B4Real platform to start, which ensures that the marketplace will be by far the most liquid of its kind globally.

As global entities, these firms also have their own significant lists of clients who are based overseas from Australia and are looking to invest in the local real estate market by leveraging their crypto holdings, thus providing an immediate influx of accompanying buyers.

B4Real has also secured a strategic partnership with a network of over 400 affiliated real estate agents across the east coast of Australia and Western Australia. As B4Real represents an exclusive access portal to a highly motivated international market of property purchasers, this network provides the essential bridge between developers and buyers, while also contributing to available stock. It is additionally projected that the on-flowing network effects should quickly contribute to achieving a high level of visibility with the real estate sector, further solidifying the platform's utility.

Lastly, the lending and finance platform is funded by lending partners. While this division of the platform has been spun off as B4Finance, a platform independent of (but still supporting) B4Real, the high levels of liquidity required necessitate established and continued close relationships with established credit providers. In turn, B4Real's expertise within these regulated and monitored sectors can be leveraged by said partners to expand their audience and revenue bases.

Through B4Finance, our partnership with Pegasus and access to a highly liquid and unleveraged private capital provider in Orion creates a uniquely regulated and secured platform which has been established for liquidity provision. Where many other lending platforms rely on rehypothecation or recollateralisation to provide lending liquidity, the B4Real platform allows for secured lending from a registered entity which holds all collateralised funds in insured cold-storage custody, providing far greater asset security. In addition, the dual-sided nature of the B4Real marketplace will allow for the collateralisation of loans using both the initial deposit and the property itself, meaning that lenders can offer more attractive LTV ratios than most crypto lending platforms.

In accordance with both national and international regulatory and enforcement frameworks, B4Real's licensing status and ongoing partnerships with financial service providers will also allow for the creation of payment and wealth management rails within the extant banking network, removing further barriers for the entry of foreign capital.

At the time of first writing in late January 2022, the total crypto market cap is approximately \$1.7 trillion dollars USD - a staggering sum for a novel asset class, and particularly impressive considering the 37% total value loss the market has suffered in the past five weeks. This sum represents an unprecedented generation and redistribution of wealth, and even in the current bear market, presents an unmatched opportunity for a platform such as B4Real. Indeed, a downward trend may well encourage holders of newly-acquired digital wealth to diversify into other asset classes, such as property.

Given the encouraging data presented by the recent YouGov-operated survey of Australian attitudes towards the cryptocurrency industry and the real estate market, as well as the historical attraction of Australian property to overseas investors, it is anticipated that the B4Real platform may be in the right place, at the right time.

It must also be noted that the crypto industry, in the manner of many emergent and disruptive industries, can from certain perspectives be seen to be rather insular to outside or traditional perspectives, optimistic about its projected growth paths and adoption rates, and somewhat self-referential when assessing the viability and use cases of its various projects. While DeFi represents an incredible and admirable leap forward in the way finance can be conducted, the bull years of 2017 and again in 2021 saw a proliferation of projects with no real use case - speculative assets in every way. The investing environment can be likened to the early 2000s, when the spread of the Internet promised to revolutionise the way we lived our lives.

While this was true, the so-called 'dot-com boom' saw the rise and fall of a plethora of e-companies with either no use cases, or no development and implementation methodologies - and alongside this, the associated creation and losses of immense fortunes. In the end, platforms with real world applications, and tangible impacts on the lives and choices of consumers, were the ones to survive and thrive. The B4Real team believes that the time for the emergence of the equivalent platforms in the DLT-enabled environment of Web 3.0 is now.

# The Roadmap and Planned Platform Diversification

## Jan-Jul 2022

- Establishment and confirmation of agreements with strategic partners ✓ ✓
- Development of the B4RE token ✓
- Token code security audit completed ✓
- Release of B4Real White Paper ✓
- Establishment of social media communities and communication channels (Facebook, Twitter, Discord, YouTube, and Telegram), with targeted combined reach of 5,000 members ✓
- Implement initial outreach strategies including sponsorships (Aussie Crypto Roadshow) ✓
- First 500 B4RE holders ✓
- Establishment of governance frameworks, marketplace development guidelines and all internal policies ✓
- Acquisition and association of required licenses and authorisations (Australian Financial Services License [Intermediary authorisation via Novatti Pty Ltd for Black Tie Digital, CAR via Orion Capital Partners under application], Licensed Real Estate Agency [all Australian states], Digital Currency Exchange License, Independent Remitter License) ✓
- Initial design and development of technical assets for B4Real marketplace ✓
- Deployment of B4Real site (b4real.digital) ✓
- Begin design and development of prototype web and mobile apps ✓
- Initiation of seed round sales ✓

## Jul-Dec 2022

- Internal publication and review of Agent and Developer Handbooks ✓
- Conclusion of seed round sales ✓
- Begin marketing, PR and advertising campaigns across both digital and legacy media, targeting Australian consumers as well as those in prioritised foreign territories ✓
- Begin public sale via deployed B4RE crowdsale smart contract (buy.b4real.digital) ✓
- Growth of combined social media reach to over 30,000 ✓
- First 2,500 B4RE holders ✓
- Deployment of B4Real Credit Staking Contract (stake.b4real.digital) allowing holders to yield B4Real Credits (B4RC) ✓
- Deployment of B4Real Property Showcase (homes.b4real.digital) highlighting selection of properties available for purchase using B4Real Credits (B4RE) ✓
- Formalisation of partnerships with trad-fi lenders ✓
- Deployment of B4Finance site (b4finance.digital) outlining lending products and facilitating loan applications ✓

- Development and initial distribution of B4Finance Digital Lending Program ✓
- Establishment of partnership with Australian Credit License holders and initial negotiations regarding credit representative status ✓
- Increase platform visibility via further sponsorships (Australian Crypto Convention – Platinum) ✓
- Establishment of Black Tie Aussie Property Fund focusing on acquisition of Australian real estate (valuation ~\$520M AUD) for tokenisation ✓
- Review of blockchains appropriate for security token offerings (fractional real estate portfolios) ✓
- Design and development of Black Tie Service Hub, including deployment of MVP portal for testing
- Listing of B4RC token on DEX and CEX (in progress)
- Conduct first private transactions using digital assets including B4RC (in progress)
- Continued development on B4Real marketplace

### **Jan-Jul 2023**

- Continued testing of technical mechanisms and functions
- Contractualisation of first platform-extrinsic diversified real estate tokenisation opportunities
- Update B4Real Property Showcase to best-practice real estate marketplace exclusive to properties accepting B4Real Credits (B4RC)
- Deployment of web app MVPs for testing
- Targeted growth of combined social media reach to over 65,000
- Expansion of development, support and internal advisory teams as required
- Initial onboarding of seed round investors from within real estate industry
- Increased advertising and marketing campaigns, with a focus on highly visible and distinguishable publicity and PR
- Listing of B4RE token on multiple DEXs and CEXs.
- Deployment and hard launch of Black Tie Service Hub
- Deployment and soft launch of B4Real marketplace (including fractional), including conduction of privately arranged transactions

### **July-Dec 2023**

- Hard launch of B4Real marketplace
- Consolidation and expansion of strategic partner network
- Conduct first consumer/member feedback surveys
- Perform feasibility studies on overseas expansion, with initial targeted territories being Canada, New Zealand and the United Kingdom
- Begin tokenisation of Black Tie Aussie Property Fund
- Prepare and submit application for direct AFSL and ACL accreditation in Australia

### **Beyond**

- International expansion into a wide range of territories, subject to legal and commercial suitability

- Implementation of advanced features and diversification of platform as outlined below
- Deployment of B4Real mobile app
- Development and refinement of further analytics provision to sellers

## **Platform Diversification**

- **Digitisation of Contracts of Ownership via NFTs and Smart Contracts:**

Although the real estate industry has already embarked across a radical and admirable program of modernisation through digital platforms such as PEXA, there is still room for improvement by harnessing the inherent power of the blockchain. NFTs provide such qualities as immutability, accessibility, and transparency, while smart contracts can be utilised to ensure a secure, trustless environment, to decrease friction within transactions, and to reduce reliance on third parties, therefore reducing the costs incurred during the course of a transaction.

The development and adoption of these forms of contracts while be highly dependent upon governmental support and an increase in interoperability between independently regulated marketplaces, such as states within Australia. These frameworks will also have to be independently tailored for each territory, in order to comply with all appropriate legislation and requirements.

- **Disrupting the Rental Market with DeFi:**

Although most holders of digital wealth are likely to look to diversification through ownership, there remains a class of holders who are resistant to engagement with traditional finance and ownership structures. These holders are likely to look upon real estate ownership as unattractive, and would prefer to rent rather than own, in order to retain their holdings and perhaps divest from crypto into other asset classes such as commodities, bonds or trading cards. Similarly, some holders may not have the requisite wealth to purchase a property, even via the available lending mechanisms.

It is to cater to these consumers that B4Real intends to further investigate the feasibility of creating a crypto-enabled property rental marketplace. This may be further enhanced by the utilisation of external DeFi protocols to create a platform whereby staking rewards can be used to make rental payments, freeing the holder's fiat or other incomes for investment or personal expenses, as well as creating an automated payment system for unparalleled convenience. However, further study is required to ascertain the viability of, and demand for, such a platform.